10/27/78

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Draft Letter	Draft Letter, Pres. Carter to Sadat & Begin, w/attachments 3 pp., re:Communication w/foreign Head of State	10/27/78	A
Memo	Owen to Pres. Carter, w/attachments 3pp., re:Tokyo Summit	10/24/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 10/27/78 Box 107

RESTRICTION CODES

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THE PRESIDENT'S SCHEDULE

Friday - October 27, 1978

7:30 (90 min.)	Breakfast with Secretaries Cyrus Vance and Harold Brown, Dr. Zbigniew Brzezinski, and Mr. Hamilton Jordan - The Cabinet Room.
9:00	Dr. Zbigniew Brzezinski - The Oval Office.
9:30 (20 min.)	Meeting with Ambassador Mike Mansfield. (Dr. Zbigniew Brzezinski) - The Oval Office.
10:30	Mr. Jody Powell - The Oval Office.
12:00	Luncheon with His Majesty King Khalid bin Abdul Aziz Al-Saud of Saudia Arabia. First Floor Private Dining Room.
2:00 (15 min.)	Signing Ceremony for H.R. 50, Humphrey-Hawkins, and S. 2570, Amending the Comprehensive Employment and Training Act of 1973. (Mr. Frank Moore) - The East Room.
2:30 (90 min.)	Meeting on the 1980 Budget and Economic Overview. (Mr. James T. McIntyre, Jr,). The Cabinet Room.

Ham:
Good idea
J

BERT LANCE

10-21-78

Mr. President:

Hope you will not fill Phil Jackson's seat on the Fed Board without giving every consideration to Luther Hodges, Jr.

He is one of the most able people I know & would do a most outstanding job. He is a team player plus we truly need someone from the Southeast in that spot.

Bert

THE WHITE HOUSE
WASHINGTON
10/27/78

Stu Eizenstat
Bob Lipshutz
The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

THE WHITE HOUSE

WASHINGTON

October 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
BOB LIPSHUTZ

RE: CAB Decisions:
(1) Aerovia Nacionales De Colombia (Docket 33011)
(2) Saudia Arabian Airlines (Docket 3269) ✓
(3) Pan Am, Inc. Seaboard and TWA (Dockets 32893, 32994, et al.)

1. Aerovia Nacionales De Colombia, S.A. Docket 33011

The CAB proposes to amend the foreign air carrier permit of AVIANCA to add as intermediate stops Rome and Milan, Italy to its route between Columbia and Frankfurt, West Germany.

All agencies recommend that you sign the order.

Approve ✓ Disapprove ______

J

2. Saudi Arabian Airlines Corporation Docket 32629

The CAB proposes to amend the foreign air carrier permit of Saudi Arabian Airlines to operate four weekly roundtrip charter flights to carry cargo between points in Saudi Arabia on the one hand and New York and Dallas/Fort Worth on the other hand.

All agencies recommend that you approve the order.

Approve ✓ Disapprove ______

3. Pan American World Airways, Inc., Seaboard World Airlines, Inc., Trans World Airlines, Inc. Dockets 32893, 32894, 32895, 11128 et. al., 17196 et al., 17486 et al.

The CAB proposes to award Pan Am, TWA, and Seaboard World Airlines authority to fly scheduled all-cargo flights between two Air Force bases on the East Coast (Dover Air Force Base in Delaware and McGwire Air Force Base in New Jersey) and

Mildenhall Air Force Base in England. The carriers' authority is limited to carrying government property and military mail.

All agencies recommend that you sign the order. All agencies recommend that you preserve the opportunity for judicial review by stating that no defense or foreign policy reason underlies your decision.

Approve ✓ Disapprove ________

(THREE SIGNATURES REQUESTED)

C

THE WHITE HOUSE

WASHINGTON

October 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM TIM KRAFT TK
JIM GAMMILL Jim G

SUBJECT Commodity Futures Trading Commission

Two weeks ago we sent you a memo discussing the Chairmanship of the Commodity Futures Trading Commission. Jim Stone, our recommended candidate for Chairman, is meeting with you on Wednesday, November 1. Prior to that meeting, Stone will have met with Senators Talmadge, Eagleton, and Leahy, and Charles Schultze and Lynn Daft. We are arranging meetings with Alfred Kahn and Senator Huddleston, but they might take place after Stone's meeting with you.

We still recommend that you consider Stone as your leading candidate for Chairman because of the unique qualities that he can bring to the Commission. These qualities include his proven record as a tough regulator and administrator, and his highly sophisticated understanding of how futures markets, for both agricultural and non-agricultural products, work.

In addition to the Chairmanship, there is one additional Democratic seat to be decided. That seat is now held by Read Dunn, whose term expired last spring. Dunn, who is closely associated with the cotton industry, is from Mississippi and is strongly supported for reappointment by Senator Eastland. Many others have urged that additional candidates be considered for this seat, and, in our earlier memo, we recommended that someone from the Midwest or South who has a strong agricultural background be selected for this position. We have just begun an active search for candidates, and we were planning a particularly heavy recruiting effort to identify candidates from Iowa. Several names have already been proposed.

Don Anderson, Congressman Mahon's candidate for Chairman, could be considered for this seat as Commissioner if he is interested.

If you speak with the Congressman, we recommend that you make the following points:

(1) You have been looking for a Chairman who has previous experience as an economic regulator, and that you hope to be making a final decision on a candidate within a few days;

(2) The Presidential Personnel Office has begun identifying candidates who have a strong agricultural background for a position as Commissioner, and that Mr. Anderson will be seriously considered, along with several other candidates already under consideration.

THE WHITE HOUSE
WASHINGTON

10/17/78

Tim Kraft
Jim Gammill

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

October 12, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
JIM GAMMILL JG

17 OCT P.M.

SUBJECT: Chairman, Commodity Futures Trading Commission

Within the next several weeks, William Bagley, Chairman of the Commodity Futures Trading Commission (CFTC), is expected to announce his resignation. Although he has not offered an exact date of his resignation, he has already made an agreement to join a California law firm in mid-November.

The CFTC, one of the newest regulatory agencies, is also one of the least respected and least understood. Although its authorization was recently extended virtually unchanged for another four years, the Congress made clear the fact that a drastic improvement in the CFTC's performance must be forthcoming.

MAJOR ISSUES

The next Chairman of the CFTC will face three major challenges. First, Chairman Bagley has not provided adequate leadership or direction to the Commission and the staff, particularly in recent months, and Vice Chairman Gary Seevers had to assume many of the Chairman's responsibilities. While the agency's structure, after several recent reorganizations, is now in good shape, the staff is demoralized, undirected and relatively unproductive. The next Chairman will need to change that attitude.

Second, the industry recently has been infected by dealers who have profited through deceptive and dishonest practices. Policing the dealers is a job that can not be shouldered by the CFTC itself, but also must be a major responsibility for the states and the industry. At the present time, the industry leaders are working on establishing a national association similar to the National Association of Stock Dealers (NASD). The next Chairman must work with this group to develop an acceptable framework for self-regulation with respect to the ethical conduct of commodity dealers.

Third, and most important, the futures industry is at the threshold of a major expansion. No longer do futures markets exist solely for the purpose of stabilizing the prices of seasonal agricultural commodities. There has been a remarkable surge of interest in futures markets for financial instruments, and this trend is expected to pick up over the next five years. Trading of futures contracts is shifting from Chicago to New York; regional exchanges are maintaining a competitive edge by proposing newer, more sophisticated, non-agricultural-based futures contracts.

The Commission, whether or not it is prepared, will determine to a large extent how this growing industry will develop. As of now, neither the Congress nor the Commission has addressed adequately the questions of the role and the limits of regulation of futures trading. Futures trading is becoming more accessible and more attractive to a much larger group of investors. Federal regulation soon will have to recognize and reconcile the relationship between futures contracts and the other, more traditional, forms of investment. The next Chairman must be the kind of person who can lead a rigorous examination of these questions.

PROPOSED CANDIDATE

On August 30, Senator Eagleton, Chairman of the Agriculture, Rural Development and Related Agencies Appropriations Subcommittee, wrote to you, asking that you appoint as Chairman of the CFTC "a tough, imaginative regulator". (A copy of his letter is attached.) You noted that you agreed with the Senator's assessment.

Following that direction, we have looked for someone with an understanding of the workings of economic markets who also has a proven record as a good administrator and regulator. We believe we have found a candidate, James Stone of Massachusetts, who meets all requirements.

Mr. Stone was appointed in 1975 by Governor Dukakis to be Commissioner of Insurance for Massachusetts. During his tenure, Stone has reformed both the management and the policies of the Department.

Administratively, Stone reduced the size of the staff from 304 to 230 during the first year, while simultaneously raising the number of employees with advanced professional degress from six to forty. After three years, the overall budget is still lower than it was before he took over; the professionalism of the department is far greater.

Substantively, Stone has been principally responsible for a deregulating the automobile insurance industry and for establishing wide-sweeping automobile insurance pricing reforms.

Stone was the main architect of a decision that prohibits the use of premium distractions based upon youth and gender in favor of a new system establishing rates on individual driving record.

Although initially opposed by some of the industry, no legal challenges to the new rate structure were filed because, in the words of a former insurance commissioner quoted in Business Week, "the decision is the most erudite and scientific piece of work that has ever been done in insurance regulation". This summer, the National Association of Insurance Commissioners encouraged the adoption of similar plans by all States.

Before becoming Massachusetts Commissioner of Insurance, Stone was an instructor at Harvard College and a consultant at Fairfield and Ellis, Inc., a Boston insurance brokerage. His Ph.D. dissertation, "An Econcmic Study of the Securities Industry" was directed by Hendrick Houthakker, one of the drafters of the legislation creating the Commodity Futures Trading Commission. Stone also published a book, One Way for Wall Street, based on his dissertation, that advocated structural changes to promote greater competition within the securities industry.

Jim Stone is well known by Jim King, Pat Caddell, and Jim Gammill, and all three think that Stone would be an excellent Chairman of the CFTC.

Although there have not been many candidates for this position, there has been a considerable amount of interest from the Congress about who you will nominate. The Senate Agriculture Committee, chaired by Senator Talmadge, will conduct the hearings for any nominee to the CFTC, and in the aftermath of the David Gartner nomination and confirmation, they undoubtedly are going to take an unusually close look at the next nominee. If Stone were to be nominated, the two areas most likely to be questioned are Stone's relatively young age, and his lack of an agricultural background. We do not consider either factor to be a problem; on the contrary, we think that Stone will be seen as a nominee in the "Fred Kahn tradition"; that is, an extremely bright economist who has successfully implemented an equitable pro-competition regulatory program.

When Chairman Bagley leaves, another Democratic vacancy will exist. We expect to consider primarily candidates with a strong agricultural background from either the Midwest or South for that position.

RECOMMENDATIONS

1. We recommend that you meet with James Stone to discuss with him the position of Chairman of the Commodity Futures Trading Commission.

   Prior to that meeting, we recommend that Stone meet with Senators Talmadge, Huddleston, and Eagleton, and whoever else the Congressional Liaison staff deems appropriate. The comments of the Senators and key White House aides will be included in the briefing memo before the meeting. I agree

   Frank Moore and Stu Eizenstat concur with the above recommendations.

2. The Vice President has expressed his concern that an individual with an agricultural background is preferable to someone without an agricultural background.

DECISIONS

✓ Schedule a meeting with James Stone

__________ Send me additional candidates

J

THE WHITE HOUSE
WASHINGTON

FRIDAY - OCTOBER 27, 1978
9:50 A.M.

MR. PRESIDENT

CONGRESSMAN GEORGE

MAHON CALLED.

PHIL

GEORGE MAHON

CHAIRMAN
COMMITTEE ON APPROPRIATIONS

Congress of the United States
House of Representatives
Washington, D.C. 20515

Tim -
Status?
J

October 25, 1978

ACK FM/PP
CONGRESSIONAL
LIAISON

OCT 27 1978

Honorable Jimmy Carter
President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

I have just put down the telephone following a conversation with Frank Moore. I told Frank I was vitally interested in seeing Mr. Don Anderson, who is from my hometown of Lubbock, Texas, selected for appointment as Chairman of the Commodity Futures Trading Commission. In my opinion, you need a man like Don who is familiar with farming, farm commodities and farm marketing to serve in this key position.

Don Anderson is a well known agricultural leader who is sophisticated in the marketing of farm products. I have known him personally through the years. He is a top flight citizen and a strong Democrat who was one of your early supporters. As I understand it, he is being endorsed by John White, Senator Lloyd Bentsen, Jim Wright and others. I am strong for him.

I had the impression that a decision might not be made in this matter for some time, but Frank tells me a decision may be imminent.

I am attaching the personal resume of Don Anderson. Please have a good look at this man, and I hope you can select him.

Sincerely,

George Mahon

George Mahon

M:dk

RE04
CE00

RESUME

L. DON ANDERSON

PERSONAL

Address	1500 Broadway, Suite 810 Lubbock, Texas 79401		
Telephone	Home 806 762 4070	Office	806 765 9477

DATE OF BIRTH October 7, 1923

EDUCATION

Bachelor of Business Administration, 1948
Texas Tech University, Lubbock, Texas

MILITARY EXPERIENCE

Pilot, U. S. Navy, 1943-45

CURRENT BUSINESS ACTIVITIES

Co-owner and President of Agricultural Investment Consultants, Inc. Consultant in marketing of agricultural products. Active in developing export markets to Japan and Europe of agricultural products. Estate management of farm properties of 20,000 acres.

Co-owner and Chairman of the Board of Texas Cotton Marketing Corp.; firm buying and selling cotton using farm production contracts, mill contracts and commodity futures contracts. Developed container export shipping program for markets to Germany and Italy.

Currently farming approximately 1400 acres. Ranching operations of approximately 1500 acres producing wheat and cattle.

Major stockholder in Citizens Bancshares, Inc., a bank holding company, operating two agricultural banks. Active in all policy decisions as Chairman of the Board.

Citizens National Bank - Agricultural community bank in Crosbyton, Texas. Chairman of the Board.

First State Bank - Agricultural community bank in Petersburg, Texas. Chairman of the Board.

President and executive officer of Texas Pest Management Assn., a state-wide association of integrated pest management units. Cooperative program with Texas A & M University and Texas Dept. of Agriculture developing integrated pest management systems for production of cotton, sorghum and peanuts.

President and major stockholder of Cotton Hybrids, Inc., a foundation seed company developing hybrid cottonseed.

Cotton production cost studies and investigation of marketing systems in Kenya, Tanzania, Uganda, Greece, Turkey, Pakistan, Thailand, Hong Kong, and Japan, 1969.

Attended International Cotton Advisory Committee (ICAC) Meeting in Kampala, Uganda, 1969.

Central American crops and poultry production study in Puerto Rico and Dominican Republic, 1968.

Latin American crops and cattle investment consultant work in Yucatan Peninsula, Central and Southeastern Mexico, 1966.

Farm Bureau European Agriculture products marketing study in Netherlands, France, Belgium, England, and Germany, 1965.

CIVIC ORGANIZATION ACTIVITIES

Texas Tech University Ex-students Assn., Board Member, 1966-60.
President Texas Tech University Ex-students Assn., 1966.
President Crosbyton Lions Club, 1966.
Board Member and Chairman of Crosbyton Independent School District, 1966-53.

AWARDS

1969	Texas Tech Award - Outstanding Work in Agriculture
1966	Texas Agriculture Man of the Year
1965	Crosbyton Outstanding Citizen Award
1958	Texas Conservation Award
1958	Crosby County Farmer of the Year

SELECTED SPEECHES AND COMMITTEE TESTIMONY APPEARANCES

1978	Testimony presented to the House Sub-committee for Appropriations on Integrated Pest Management Programs
1977	Testimony presented to the Senate Sub-committee on Integrated Pest Management
1977	Texas A & M University Research Directors Conference "Research Needs - Marketing"
1975	Texas A & M University Annual Water Conference "Economics of Irrigated Crop Production"
1970	Testimony presented to Senate and House Agricultural Sub-committee on Cotton Marketing Needs
1969	Southeastern Cotton Producers Annual Meeting, Auborn University - "Market Development Opportunities for Cotton"
1969	American Cotton Shippers Association Annual Meeting, Las Vegas, Nevada - "Research and Promotion Needs for Cotton"
1969	Plains Cotton Growers Annual Meeting, Lubbock, Texas - "Our Ability to Compete in World Markets"

Congress of the United States
House of Representatives
Washington, D.C. 20515

OFFICIAL BUSINESS

George Mahon
M.C.

Hand deliver to
Frank Moore or
his staff -
George Mahon

Honorable Jimmy Carter
President of the United States
The White House
Washington, D. C. 20500

- Call Ext. 2230
for pick-up

WHITE HOUSE MAIL
RECEPTION & SECURITY

OCT 26 1978

Processed by: 6

THE WHITE HOUSE

WASHINGTON

27 October 1978

MEMORANDUM FOR THE PRESIDENT

FROM: RICK HUTCHESON Rick

SUBJECT: Status of Presidential Requests

RAFSHOON:

1. (10/4) The President needs 3 or 4 names of the people who might serve on the selection committee for art awards; the first meeting with be 11/17. These persons should relate to tv/movies/popular music -- Done. done

KRAFT:

1. (10/17) This is discouraging; nothing better yet for the Director of TVA? -- Done, (memo on your desk). done

2. (10/20) (and J. Gammill) Confirm that both Teresa Hughes and Dr. Dunlap will be firm in the collection of student loan payments -- In Progress, (expected 11/1, previously expected 10/27).

VICE PRESIDENT:

1. (10/25) Make sure that Andrus approves the Executive Order regarding the Holocaust Commission -- Done. done

WISE:

1. (7/20) (and Voorde) Try to work out the Future Farmers of American convention in November; check with the President before final acceptance -- Done, (scheduled for 11/9). done

ATTORNEY GENERAL BELL:

1. (10/20) Please draft an answer for the President concerning the letter from Frank Church about the WASHINGTON POST article of how DoJ is being asked to provide guidelines on how it intends to enforce the foreign anti-bribery statute passed by Congress in 1976 -- In Progress, (expected 11/1).

MOORE:

1. (10/21) (and Eizenstat) Don't we need a letter to Sen. Talmadge regarding sugar -- Letter not necessary; (Dan Tate has discussed this with you). done

2. (5/6) See Jim Gammill regarding Malcolm Reese. Comply with Sen. Nunn's request that Reese serve at either SBA or FHLBB in Atlanta or Washington -- Done, (Reese has accepted a job as President of the North Mississippi Savings and Loan, Oxford, Mississippi). done

WATSON:

1. (9/22) Can we restrain or prevent development at the sacred home of the Hopi Indians in San Francisco? -- Done, (attached). done

EIZENSTAT:

1. (10/10) Any ideas on the letter from D.W. Brooks (of Gold Kist, Inc.) concerning civil service and the bureaucracy -- Done, (copy of Eizenstat letter to Brooks attached). done

2. (10/17) The President agrees with Arthur Burck that there is a problem concerning corporate mergers, etc.; what can we do? -- Done, (copy of Eizenstat letter to Burck attached). done

3. (10/25) Let McIntyre or someone explain the Schlesinger memo concerning the Presidential exemption DOE/Sandia Laboratories to the President -- Done. done

SECRETARY CALIFANO:

1. (5/30) Give the President a progress report on the status of Hispanic employees at HEW in October -- Done, (in 10/27 weekly report). done

BRZEZINSKI:

1. (6/21) Ask your staff and ACDA to prepare an assessment of Foreign Affairs article on SALT -- Done, (Zbig has discussed with you and no written assessment will be forthcoming). done

THE WHITE HOUSE

WASHINGTON

October 27, 1978

C

Dear Senator Goldwater:

The President asked me to respond further to your recent letters concerning the religious rights of the Hopi Indians in the San Francisco Peaks of Northern Arizona. Secretary Bergland has assured the President that the traditional religious rights of the Hopi will be fully preserved and protected. Secretary Bergland is committed overall to help resolve conflicts between American Indian religious practices and federal policies and has established a task force in the Department to deal with this and other problems confronting native Americans.

There is a proposal under consideration by the Forest Service to expand the Arizona Snow Bowl development which operates under permit on the Coconino National Forest. In its evaluation of the developer's proposal through the environmental statement process, Forest Service representatives have met personally with Hopi and Navajo representatives in an effort to understand and reflect their religious views and their concerns regarding expansion of the Snow Bowl facilities. Secretary Bergland has assured us that extreme sensitivity to Hopi and Navajo religious rights will be exercised before any decisions are reached.

The Forest Service has also submitted a proposal to the Interior Department to designate an area of the San Francisco Peaks a National Natural Landmark. The President has directed the Secretaries of Interior and Agriculture to work together to determine if this, or some other designation, would appropriately protect and facilitate Indian religious activities in the area, and has asked the Secretaries also to work with you in this connection.

Sincerely,

Jack Watson

Jack H. Watson, Jr.

The Honorable Barry M. Goldwater
United States Senate
Washington, D. C. 20510

THE WHITE HOUSE

WASHINGTON

C

October 26, 1978

D.W.

Dear Mr. ~~Brooks~~:

The President has asked me to respond to your letter of September 27 and the attached memorandum. We certainly appreciate your comments on the Civil Service Reform Act. We are very pleased the Congress has responded so quickly to adopt this legislation. We will now begin the challenging task of implementing it, to realize its full promise.

We also appreciate your views on the Legislative Veto issue. Your point -- that the Executive Branch must have an answer to the problem that has prompted support of the Legislative Veto idea -- is well taken. We have begun to develop mechanisms within the Executive Branch for more effective management by politically accountable agency heads, and by the President, as well as by the public, of regulatory decisions. We are continuing to work on this problem and expect to have far-reaching administrative and legislative proposals in the near future. I have forwarded your recommendations to people within the Administration who are currently at work on this issue.

Thank you for taking the trouble to write to the President.

Sincerely,

Stu E Eizenstat

Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

bcc: Bill Simon/Rick Hutcheson

Mr. D. W. Brooks
Chairman of the Board Emeritus
Gold Kist Inc.
244 Perimeter Center Parkway, N.E.
Atlanta, GA. 30301

D.W.: First, I want to thank you for the help you have given us on so many things. Second, the new steps we have developed for a regulatory calendar and for a strict review of regulations by Charles Schultze's group to assure they are as cost-effective as possible will help. Third, your idea of a screening Board is interesting and might take steam out of the one-house veto move. I'll have O.M.B. explore it.

THE WHITE HOUSE

WASHINGTON

C

October 31, 1978

Dear Mr. Burck:

The President asked me to respond to your recent letter to Mrs. Carter.

I am very much interested in your perception that corporate mergers have reached dangerous levels. My staff and I will consult with the Department of Justice to review the adequacy of our present approaches. Your material contains some interesting suggestions which will receive very careful consideration.

Sincerely,

Stu Eizenstat

Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

Mr. Arthur Burck
Arthur Burck & Co.
P.O. Box 2197
Palm Beach, Florida 33480

We will follow these up with the Justice Department. Thanks for bringing this to our attention.

THE WHITE HOUSE

WASHINGTON

October 27, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

INCOMING	WEEK ENDING 10/20	WEEK ENDING 10/27
Presidential	26,150	22,860
First Lady	1,250	1,080
Amy	680	570
Other First Family	100	80
TOTAL	28,180	24,590
BACKLOG		
Presidential	5,410	5,670
First Lady	170	160
Amy	0	0
Other	0	0
TOTAL	5,580	5,830
DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED		
Agency Referrals	8%	7%
WH Correspondence	52%	56%
Unanswerable Mail	14%	14%
White House Staff	8%	6%
Greetings Requests	17%	17%
Other	1%	0
TOTAL	100%	100%
NOT INCLUDED ABOVE		
Form Letters	23,866	33,145
Form Post Cards	9,200	7,050
Mail Addressed to White House Staff	14,562	18,843

cc: Senior Staff

MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 10/27/78

ISSUES	PRO	CON	COMMENT ONLY	NUMBER LETTERS
Support for Proposed IRS Guidelines for Determining Tax Exempt Status of Private Schools	0	100%	0	1,381
Support for Amendment to HR 9937 re: Tariffs on Textile Imports (1)	93%	7%	0	958
Support for Revenue Act of 1978 HR 13511	73%	27%	0	496
Support for Meat Import Act of 1978 HR 11545 (2)	98%	2%	0	451
Support for President's Address to the Nation on Inflation 10/24/78 (3)	59%	26%	15%	344
Support for Amendments to Rehabilitation Act of 1973 HR 12467	91%	9%	0	317
Support for Treatment of Jehovah's Witnesses in Argentina	0	100%	0	243
Support for Appointment of Sarah Weddington	1%	99%	0	241
Comments re: Domestic Economic Situation	0	0	100%	210
Support for Pardon for Patricia Hearst	91%	9%	0	180
Support for Reduction of Capital Gains Taxes	71%	27%	2%	177
Support for Aid to Nicaragua	0	100%	0	116
Support for President's Success at Middle East Summit Conference	99%	1%	0	107
			Total	5,221

~~(See Notes Attached)~~

To Patti

STATEMENT BY THE PRESIDENT

With the signing of the Full Employment and Balanced Growth Act, this Nation is putting its long-term economic goal of full employment with stable prices into law. This Act requires the Congress and the President to set goals each year and indicate the policies that will be followed to achieve them.

This was the last major piece of legislation that bore the name of a great and compassionate American, Hubert Humphrey. He knew how destructive unemployment was both to individuals and to the social fabric of our Nation. He dreamed of the day when every American who wanted to work could work. ~~I only wish Hubert Humphrey could be with us today to see this goal established in law.~~

Congressman Gus Hawkins, who co-authored this legislation from its inception, continued to provide the leadership to help secure its passage after Hubert Humphrey's untimely death, as did Senator Muriel Humphrey. I also want to express my appreciation for the exceptional role played by the Full Employment Action Council, ably chaired by Coretta Scott King; ~~which coordinated the resources of many groups toward our common goal of passing this landmark legislation.~~ ; to the

~~The~~ Congressional Black Caucus, under the leadership of Parren Mitchell; ~~played a major role in passing these bills which will benefit all Americans.~~

~~I want~~ to ~~salute~~ House Speaker Tip O'Neill and Senate Majority Leader Robert Byrd, whose unflagging support and hard work translated these two legislative proposals into the bills that I am about to sign;

and ~~No list of names would be complete without expressing appreciation~~ to Leon Keyserling, ~~who served as President Truman's chief economic adviser and~~ whose ~~brilliant~~ work in drafting this legislation ~~and great patience through all these months has made~~ has helped to make this day possible.

The Humphrey-Hawkins bill ~~is more than just a symbol of our concern -- it~~ provides a framework for coordination between the Executive Branch, the Congress and the Federal Reserve System in taking realistic actions to achieve full employment and a reduction in inflation.

Unemployment was at 8 per cent on Election Day 1976. One of my first actions as President was to propose legislation to put Americans back to work. A part of that legislation created the largest public service jobs and training program since the New Deal. The results have been dramatic -- unemployment has been reduced 25%. ~~is down to 6 per cent~~. More than 6.5 million new jobs have been created -- a record not matched in so short a period even in wartime. Over 1.5 million people have been taken off of the unemployment rolls.

I am also signing the Comprehensive Employment and Training Act Amendments of 1978 ~~at the same time~~ because the programs in it provide major tools in our effort to reach the unemployment goal of the Humphrey-Hawkins bill by 1983.

I am pleased that the Congress approved our recommendations to extend CETA and more sharply target its programs to those most in need of help. ~~based on length of unemployment and level of income~~. The Congress also gave the Secretary ~~Marshall~~ of Labor the authority we requested to investigate and deal effectively with ~~the limited amount of~~ some fraud and abuse which has occurred in the public jobs programs. Those few unscrupulous people who would use these programs as political plums or for personal gain deserve Condemnation and punishment. ~~no favor.~~ They are a threat to the opportunities of people who have been unable to fully participate in our economy. We intend to see that such abuses are ended.

My Administration is committed to attacking the specter of youth unemployment, which threatens to sap the will and waste the potential of a sizeable portion of a whole generation. Extending the Youth Employment and Demonstration Projects Act is critical to the success of this effort. Our targetted tax credit proposal approved as part of the tax bill will also help thousands of young people find work.

I am particularly proud that the Congress approved our ~~request for a new Title VII in the CETA legislation,~~ ~~a~~ Private Sector Initiative Program. The Private Industry Councils this establishes all across the nation will bring labor, business and community leaders in to the full partnership necessary to make CETA most effective.

Hubert Humphrey said:

"The Humphrey-Hawkins bill is a first step, but an indispensable one, toward an era of full employment, steady economic growth and reasonable price stability. It is no panacea. It is no miracle cure, but with it, national economic policy will be required to be directed toward achieving specific, measurable economic goals..."

Although attaining the unemployment and inflation goals of this bill will be ~~exceedingly~~ difficult, we will do our best to reach them. The CETA legislation with its attack on structural unemployment is a key to that effort.

But I must warn you that our fight against inflation <ins>must</ins> succeed if we are to maintain the steady economic growth necessary to avoid an increase in unemployment and to achieve the goals in the Humphrey-Hawkins bill. Success in fighting inflation is critical to success in fighting unemployment.

THE WHITE HOUSE
WASHINGTON

Called
J

FRIDAY - OCTOBER 27, 1978
3:30 P.M.

MR. PRESIDENT

GEORGE MAHON CALLED

AGAIN.

PHIL

C. Trade Comm.

Mrs. Birch Bayh

The President
The White House

By Hand
5512

1978 OCT 23 PM 1 47

RECEP. AND SECURITY UNIT
THE WHITE HOUSE
WASHINGTON

FM

C/

October 21, 1978

Dear Mr. President,

I was deeply touched when the pen you used to sign the ERA Extension Resolution was delivered to me. You were so kind to send it, and it helped to ease my disappointment at not being able to be with you.

I so appreciate your and Rosalynn's invitation, but I had to be at the hospital at that time having some tests.

Thank you for your kindness, your friendship, and especially for your prayers. Please remember me to Rosalynn.

With admiration,
Marvella

Marvella Bayh

THE WHITE HOUSE
WASHINGTON

10/27/78

Chairman Miller

The attached was returned in the President's outbox today and is forwarded to you for your information.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

cc to:
G. Wm Miller

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

Bill - This is great J.C.

G. WILLIAM MILLER
CHAIRMAN

RL

24 October 1978

Dear Mr. President:

While I wasn't able to finish my term as Chairman of the HIRE program, I'm pleased that your goal for employing veterans was achieved. I'm proud of the contribution by my former company, Textron:

Initial goal	500
Revised goal	1,334
Actual hires	2,364
Retained hires	1,626

Best wishes.

Bill

PRESIDENT JIMMY CARTER
THE WHITE HOUSE

THE WHITE HOUSE
WASHINGTON

10/27/78

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for delivery.

Rick Hutcheson

PELL LETTER

THE WHITE HOUSE

WASHINGTON

October 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE F. M./mca
BOB THOMSON

SUBJECT: Pell Letter

Senator Claiborne Pell has requested this letter for use in his campaign. This will be the first time you have indicated formally you will sign the Middle-Income Assistance Bill.

OMB (Sue Woolsey) and DPS (Bert Carp) have approved the text.

The enrolled bill is not yet here, although it is expected next week.

THE WHITE HOUSE

WASHINGTON

October 27, 1978

To Senator Claiborne Pell

I am pleased to inform you that I intend to sign S. 2539, the Middle-Income Student Assistance Act. This legislation, which you sponsored and I supported, will help ensure that no American who wants to attend college will be prevented from doing so because of a lack of finances. It particularly helps students from middle-income families who formerly were ineligible for grant and loan assistance.

This legislation passed the Senate primarily because of your leadership and hard work. I look forward to your continuing advice and assistance developing education policy during the next Congress.

Sincerely,

Jimmy Carter

The Honorable Claiborne Pell
United States Senate
Washington, D.C. 20510

PRESIDENT JIMMY CARTER

SIGNING CEREMONY FOR H.R. 50 AND S. 2570

FRIDAY, OCTOBER 27, 1978, 2:00 P.M.

WITH THE SIGNING OF THE FULL EMPLOYMENT AND BALANCED GROWTH ACT, THIS NATION IS PUTTING ITS LONG-TERM ECONOMIC GOAL OF FULL EMPLOYMENT WITH STABLE PRICES INTO LAW.

THIS ACT REQUIRES THE CONGRESS AND THE PRESIDENT TO SET GOALS EACH YEAR AND INDICATE THE POLICIES THAT WILL BE FOLLOWED TO ACHIEVE THEM.

THIS WAS THE LAST MAJOR PIECE OF LEGISLATION THAT BORE THE NAME OF A GREAT AND COMPASSIONATE AMERICAN--HUBERT HUMPHREY.

HE KNEW HOW DESTRUCTIVE UNEMPLOYMENT WAS BOTH TO INDIVIDUALS AND TO THE SOCIAL FABRIC OF OUR NATION.

(=OVER=) (HE DREAMED OF THE DAY.....)

HE DREAMED OF THE DAY WHEN EVERY AMERICAN WHO WANTED TO WORK COULD WORK.

CONGRESSMAN GUS HAWKINS, WHO CO-AUTHORED THIS LEGISLATION FROM ITS INCEPTION, CONTINUED TO PROVIDE THE LEADERSHIP TO HELP SECURE ITS PASSAGE AFTER HUBERT HUMPHREY'S UNTIMELY DEATH, AS DID SENATOR MURIEL HUMPHREY.

I ALSO WANT TO EXPRESS MY APPRECIATION FOR THE EXCEPTIONAL ROLE PLAYED BY THE FULL EMPLOYMENT ACTION COUNCIL, ABLY CHAIRED BY CORETTA SCOTT KING;...TO THE CONGRESSIONAL BLACK CAUCUS, UNDER THE LEADERSHIP OF PARREN MITCHELL;...TO HOUSE SPEAKER TIP O'NEILL AND SENATE MAJORITY LEADER ROBERT BYRD, WHOSE UNFLAGGING SUPPORT AND HARD WORK TRANSLATED THESE TWO LEGISLATIVE PROPOSALS INTO THE BILLS THAT I AM ABOUT TO SIGN;

(=NEW CARD=) (AND TO LEON KEYSERLING,.....)

..... AND TO LEON KEYSERLING, WHOSE WORK IN DRAFTING THIS LEGISLATION HAS HELPED TO MAKE THIS DAY POSSIBLE.

THE HUMPHREY-HAWKINS BILL PROVIDES A FRAMEWORK FOR COORDINATION BETWEEN THE EXECUTIVE BRANCH, THE CONGRESS AND THE FEDERAL RESERVE SYSTEM IN TAKING REALISTIC ACTIONS TO ACHIEVE FULL EMPLOYMENT AND A REDUCTION IN INFLATION.

UNEMPLOYMENT WAS AT 8 PERCENT ON ELECTION DAY 1976.

ONE OF MY FIRST ACTIONS AS PRESIDENT WAS TO PROPOSE LEGISLATION TO PUT AMERICANS BACK TO WORK.

A PART OF THAT LEGISLATION CREATED THE LARGEST PUBLIC SERVICE JOBS AND TRAINING PROGRAM SINCE THE NEW DEAL.

(=OVER=) (THE RESULTS HAVE BEEN.....)

THE RESULTS HAVE BEEN DRAMATIC -- UNEMPLOYMENT HAS BEEN REDUCED 25 PERCENT.

MORE THAN 6.5 MILLION NEW JOBS HAVE BEEN CREATED -- A RECORD NOT MATCHED IN SO SHORT A PERIOD EVEN IN WARTIME.

OVER 1.5 MILLION PEOPLE HAVE BEEN TAKEN OFF OF THE UNEMPLOYMENT ROLLS.

I AM ALSO SIGNING THE COMPREHENSIVE EMPLOYEMNT AND TRAINING ACT AMENDMENTS OF 1978 BECAUSE THE PROGRAMS IN IT PROVIDE MAJOR TOOLS IN OUR EFFORT TO REACH THE UNEMPLOYMENT GOAL OF THE HUMPHREY-HAWKINS BILL BY 1983.

(=NEW CARD=) (I AM PLEASED THAT.....)

I AM PLEASED THAT THE CONGRESS APPROVED OUR RECOMMENDATIONS TO EXTEND C.E.T.A. AND MORE SHARPLY TARGET ITS PROGRAMS TO THOSE MOST IN NEED OF HELP.

THE CONGRESS ALSO GAVE THE SECRETARY OF LABOR THE AUTHORITY WE REQUESTED TO INVESTIGATE AND DEAL EFFECTIVELY WITH SOME FRAUD AND ABUSE WHICH HAS OCCURRED IN THE PUBLIC JOBS PROGRAMS.

THOSE FEW UNSCRUPULOUS PEOPLE WHO WOULD USE THESE PROGRAMS AS POLITICAL PLUMS OR FOR PERSONAL GAIN DESERVE CONDEMNATION AND PUNISHMENT.

THEY ARE A THREAT TO THE OPPORTUNITIES OF PEOPLE WHO HAVE BEEN UNABLE FULLY TO PARTICIPATE IN OUR ECONOMY.

WE INTEND TO SEE THAT SUCH ABUSES ARE ENDED.

(=OVER=) (MY ADMINISTRATION IS....)

MY ADMINISTRATION IS COMMITTED TO ATTACKING THE SPECTER OF YOUTH UNEMPLOYEMNT, WHICH THREATENS TO SAP THE WILL AND WASTE THE POTENTIAL OF A SIZEABLE PORTION OF A WHOLE GENERATION.

EXTENDING THE YOUTH EMPLOYMENT AND DEMONSTRATION PROJECTS ACT IS CRITICAL TO THE SUCCESS OF THIS EFFORT.

OUR TARGETTED TAX CREDIT PROPOSAL APPROVED AS PART OF THE TAX BILL WILL ALSO HELP THOUSANDS OF YOUNG PEOPLE FIND WORK.

I AM PARTICULARLY PROUD THAT THE CONGRESS APPROVED OUR PRIVATE SECTOR INITIATIVE PROGRAM.

THE PRIVATE INDUSTRY COUNCILS THIS ESTABLISHES ALL ACROSS THE NATION WILL BRING LABOR, BUSINESS AND COMMUNITY LEADERS INTO THE FULL PARTNERSHIP NECESSARY TO MAKE C.E.T.A. MOST EFFECTIVE.

(=NEW CARD=) (HUBERT HUMPHREY SAID,.....)

HUBERT HUMPHREY SAID: "THE HUMPHREY-HAWKINS BILL IS A FIRST STEP, BUT AN INDISPENSABLE ONE, TOWARD AN ERA OF FULL EMPLOYMENT, STEADY ECONOMIC GROWTH AND REASONABLE PRICE STABILITY. IT IS NO PANACEA. IT IS NO MIRACLE CURE, BUT WITH IT, NATIONAL ECONOMIC POLICY WILL BE REQUIRED TO BE DIRECTED TWOARD ACHIEVING SPECIFIC, MEASURABLE ECONOMIC GOALS . . . ."

ALTHOUGH ATTAINING THE UNEMPLOYMENT AND INFLATION GOALS OF THIS BILL WILL BE DIFFICULT, WE WILL DO OUR BEST TO REACH THEM.

THE C.E.T.A. LEGISLATION WITH ITS ATTACK ON STRUCTURAL UNEMPLOYEMENT IS A KEY TO THAT EFFORT.

(=OVER=) (BUT I MSUT WARN YOU THAT.....)

BUT I MUST WARN YOU THAT OUR ~~GTTH~~ Fight AGAINST INFLATION MUST SUCCEED IF WE ARE TO Maintain THE STEADY ECONOMIC GROWTH NECESSARY TO AVOID AN INCREASE IN UNEMPLOYMENT AND TO ACHIEVE THE GOALS IN THE HUMPHREY-HAWKINS BILL.

SUCCESS IN FIGHTING INFLATION IS CRITICAL TO SUCCESS IN FIGHTING UNEMPLOYMENT.

# # #

United States Senate

WASHINGTON, D.C. 20510

C

October 26, 1978

Dear Mr. President:

Both of us are much embarassed that we cannot attend the signing of the CETA and Humphrey-Hawkins bills tomorrow, Friday, October 27 at 2:00 P.M. per your gracious invitation. We are heavily engaged in the campaign and just cannot pry loose for Friday. We hope you will forgive us and wish to assure you that as we diligently and devotedly managed both bills on the floor of the Senate so shall we diligently and devotedly seek to carry out their implementation and true purpose and intent.

We consider the CETA bill to meet our Nation's needs as to hardheaded targeting and economy in a necessary buttressing of our means to deal with structural and endemic unemployment, with a heavy emphasis upon training and enlistment of the private sector for a transition from government jobs and training to private jobs. The Humphrey-Hawkins bill is an historic effort to plan for our future and to give workers those underlying assurances of our solicitude for full employment of which the Employment Act of 1946 was a first installment which is now being measurably advanced.

Our best wishes and congratulations on the signing of both bills, believe us both,

Sincerely,

Gaylord

Gaylord Nelson

Jacob K. Javits

The President
The White House
Washington, D.C.

THE WHITE HOUSE

WASHINGTON

October 26, 1978

BILL SIGNING
H.R.50 - HUMPHREY-HAWKINS
S.2578 - CETA ACT AMENDMENTS
Friday, October 27, 1978
2:00 p.m.
East Room

From: Frank Moore FM/PD

I. PRESS PLAN

Open Press Coverage

II. STATEMENT

Attached

III. PARTICIPANTS

Following your remarks and the signing of the bills, I recommend that you call upon the following participants for brief remarks:

Muriel Humphrey
Gus Hawkins
Coretta King
Ray Marshall

Platform Guests

Senator Muriel Humphrey
Senator Paul Sarbanes
Cong. Gus Hawkins
Cong. Ted Weiss
Delegate Baltasar Corrada
Cong. Morgan Murphy
Cong. Shirley Chisholm
Cong. John Conyers
Cong. Ron Dellums
Cong. Charles Diggs
Delegate Walter Fauntroy
Cong. Parren Mitchell
Secretary Ray Marshall
Under Secretary Ernie Green
Coretta King
Governor Cliff Finch

Mayor Michael Bilandic (Chicago)
Mayor Lee Alexander (Syracuse)
Mayor Richard Hatcher (Gary)
Benjamin Hooks, N.A.A.C.P.
Carl Holman, National Urban Coalition
Jacob Clayman, AFL/CIO
Irving Bluestone, UAW
J.C. Turner, Operating Enginner's President
Albert Shanker, American Federation of Teachers
Jerry Wurf, AFSCME

Seated in reserved spots in the front row will be:

Mrs. Humphrey's guests including her son "Skip" and his wife, Lee.
Mrs. Ray Marshall
Mrs. Harrison Williams (wife of Senator Williams)
Mrs. Gus Hawkins
Mrs. Frances Humphrey Howard (sister of Hubert Humphrey)
John Carr, Full Employment Action Council
Mayor Frank Logue (New Haven)
Mayor Ernest Morial(New Orleans)
Mayor Kenneth Gibson (Newark)
Mayor Arthur Clark (Waltham, Mass.)
Mayor Richard Fulton (Nashville)
Mayor Art Holland (Trenton)
Mayor Henry Marsh (Richmond)
Mayor John Mandanici (Bridgeport)
Mayor Irving Stern (St. Louis Park, Minnesota)

Other guests:

E.L. Abercrombie, Laundry, Drycleaning and Dyehouse Workers Union
Marilyn Adams, Allcraft Foundation
Karen Adler, American Jewish Committee
Jessee Mike Amis, Mississippi Agricultural Board and Industries
Albert Arent, National Jewish Community Affairs Advisory Council
Arnold Aronson, Council on Civil Rights
Hannah Atkins, Nat'l. Assn. of Black Women Legislators
Sara Austin, National Urban Coalition
Eugene Baker, National Assoc. of Black Manufacturers
Alan Beals, National League of Cities
Andrew J. Biemiller, AFL/CIO
Ronald Bloom, Jewish Labor Committee
Jim Booe, Communication Workers of America
Ella Brayboy, Southern Coalition for Full Employment
Dorothy Brody, USCM
Ronald Brown, National Urban League
Frank Butler, U.S. Catholic Conference
Cristine Candela , Womens' Equity Action League
Marvin Caplan, Leadership Conference on Civil Rights
Nick Carbone, Deputy Mayor - Hartford

James E. Cheek, Howard University
George Clements, Martin Luther King, Jr. Center
Thomas Cochran, USCM
Betsy M. Cooley, Wider Opportunities for Women, Inc.
Mary Cooper, National Council of Churches
Pat Cunningham, National Council of Churches
Rev. D. C. Daniels, Greater Jerusalem Baptist
Philip Daugherty, AFL/CIO
Maurice A. Dawkins, O.I.C. of America
Rev. John Deckenback, Northern California Conference of United Church of Christ
John Dodd, Phila. Unemployment Project
Eleanor Doherty, Network
Tom Donahue, AFL/CIO
John Driscoll, Commissioner, Rockingham County
Ken Duberstein, Committee for Economic Development
Ofield Dukes, Ofield Dukes & Associates
William Emerson, TRW
Samuel Ethridge, National Educational Association
Therman E. Evans, Operation Push
Christine King Farris, Martin Luther King Jr. Center for Social Change
Jane P. Fleming, Wider Opportunities for Women
Samuel L. Foggie, United National Bank of Washington
Pam Freer, International Ladies Garment Workers
Cheryl Y. Yamamoto, National Federation of Business and Professional Women
David Beger, State Senator, Milwaukee
Sidney J. Barmelemy, Councilman, City of New Orleans
Dr. Fred C. Lofton, Metropolitan Baptist Church
Max Kapleman, Fried, Frank, Harris, Shriver & Kapleman
Arthur Keys, National Council of Churches
Randy Kinder, HUD
Carol Kocheisen, National League of Cities
Ron Kreitemeyer, U.S. Catholic Conference
Representatives of House and Senate Staffs
Representatives of the Department of Labor

Gartner, Alan Dr.
Center for Advanced Study in Education

Gavett, Grace

Gerber, Lou
Communications Workers of America

Gross, George
Director, Federal Relations

Gunther, John
U.S. Conf. of Mayors

Hall, Leon
Martin Luther King, Jr. Center for Social Change

Hamilton, Williams
AFSCME

Hand, Lloyd
National Alliance of Business

Hardy, George
President, Service Employees

Harper, John D.
Aluminum Co. of America

Hartwell, Joyce
Allcraft Foundation

Hayden, Robert T.
United Steel Workers of America

Height, Dorothy
National Council of Negro Women

Hentges, Harriett A.
League of Women Voters

Hernandez, Andres
Nat'l. Coalition of Cuban-Americans

Hinerfeld, Ruth J.
League of Women Voters

Holland, Art
Mayor,Trenton, N.J.

Holman, Carl
National Urban Coalition

Hooks, Benjamin J.
N.A.A.C.P.

Howarth, Thomas
Leg. Rep.

Humphrey, Gregory
American Federation of Teachers

Hutton, William
Nat'l. Council of Senior Citizens

Hydeman, Albert L.
PA Dept. of Community Affairs

Jackson, Ernest
Atlanta Housing Authority

Jackson, Samuel A.
Stroock, Stroock, & Lavan---Attorney

Jeffrey Mildred
Nat'l. Womens Political Caucus

Johnson, Ben
Nat'l. Center for Ethnic Affairs

Johnson, Jacquelin L.
Nat'l. Center Urban Affairs

Jordan, Vernon
National Urban League - Cannot attend

Joseph, Jim
Dept. of Interior - U. Secy.

Kaniewski, Don
Laborers' Int'l. Union

Laird, Sally
League of Women Voters

Lally, Francis
U.S. Catholic Conference

Landa, Esther
National Council of Jewish Women

Leach, Russell

Levison, Andrew H.
Martin Luther King, Jr. Center for
Social Change

Lindsey, Franklin A.
ITEK Corporation

Linowitz, Sol (Ambassador
Coudert Brothers

Logue, Frank (Mayor)
City of New Haven

Lovell, Malcolm R.
Rubber Manufacturers Assn.

Lowery, Joseph E.
Southern Christian Leadership Conference

Luna, Baltasar
IMAGE, President

Malina, Pettite
Philadelphia Unemployment Project

Mandanici, John (Mayor)
City of Bridgeport

Marinich, Joseph
COSCAA

Marsh, Henry (Mayor)
City of Richmond, VA

Martin, Terence
Bread for the World

Mayer, Arnold
Meat Cutters Union
~~Meiklejohn, Nanine~~
AFSCME

Mink, Patsy
Americans for Democratic Action

Mirelez, Peter
Commissioner, Adams Cty, Colorado

McAlpine, Bob
National Urban League

McFarland, Stanley
National Education Association

McGuigan, Howard F.
AFLCIO

McKeaney, Phil
American Federation of Teachers

Moore, Pat
Mid-Willamette Valley Consortium

Morales, Dionicio
Mexican-American Opportunity Foundation

Moses, Al
Covington & Burling

Nellum, Albert L.
A.L. Nellum, Inc.

Norton, Eleanor Holmes
Commissioner, EEOC

Otten, Vicki
w/ U.S. Rep. Paul Simon

Pacheco, Donald
American GI Forum

Parson, James
Employment & Training Council, NLC

Paster, Howard G.
UAW IUD

Pena, Eduardo
League of United Latin American Citizens

Pequet, Barbara K.
National Consumers League

Perera, Ana Maria
National Assn. of Cuban-American Women

Pleshaw, Geraldine
National League of Cities

Polish, Daniel F.
Synagouge Council of America

Randall, Claire
National Council of Churches

Rattley, Jessie
Council Member - Newport News, VA

Reed, Joe
Chairman, Alabama Democratic Conference

Reissman, Frank
Center for Advanced Study in Education

Remone, Nancy
National Assn of Counties

Rivera, Fernando
Ohio Council of Churches

Robinson, Cleveland
Distributive Workers of America

Robinson, Doreen (wife)
of Cleveland Robinson

Salkind, Miriam
National Council of Jewish Women

Saltzman, Arnold
Seagram Corporation

Samuels, Rita
Community Services Administration
Atlanta

Schiff, Frank
Committee for Economic Development

Shanker, Albert
American Federation of Teachers

Siegelman, Leonore
National Capitol Chapter
American Jewish Council

Simpson, Theresa
Full Employment Action Council

Smith, Elizabeth Marie
Amalgamated Clothing & Textile Workers Union

Sotomayor, Marta
National Council of LaRaza

Spragg, Howard
United Church Board for Homeland

Starks, Herman P.
NAtional Black Caucus of Local Elected
Officials

Stepp, Marc
UAW

Stern, Irving M. (Mayor)
City of St. Louis Park, MN

Sullivan, Rev. Leon
Opportunities Industrialization Centers, Inc.

Timmons, Sim
W/ Mayor Gibson

Turner, J. C.
Operating Engineers, AFL-CIO

Uehlein, Joseph
IUD, AFL-CIO

Ventura, Joseph
Italian American Foundation

Vollinger, Ellen
Full Employment Action Council

Weintraub, Jon
National Association of Counties

Welsh, Williams B.
AFSCME, Ex. Dir for Gov. Affairs

White, Jessica
National Council of Churches

Willett, Sandra
Leg. Rep, National Consumers League

Williams, Eddie N.
Joint Center for Political Studies

Wurf, Jerry
AFSCME

THE WHITE HOUSE

WASHINGTON

October 25, 1978

BILL SIGNING - S.555 - ETHICS IN GOVERNMENT
Thursday, October 26, 1978
10:00 a.m.
The Cabinet Room

From: Frank Moore FM/pd.

I. PRESS PLAN

Open Press Coverage

II. TALKING POINTS

Attached

III. PARTICIPANTS

Members of Congress

Speaker O'Neill -- this was the Speaker's bill. Although he does not usually attend bill signing ceremonies, he is making an exception for this bill.

Congressman Romano Mazzoli (D-Kentucky)
Senator Clifford Case (R-New Jersey)
Senator Lawton Chiles (D-Florida) -- tentative

House Staff

Ari Weiss, Speaker's Legislative Assistant
Gary Hymel, Speaker's Administrative Assistant
Donald Terry, Staff Director, Select Committee on Ethics
William Shadduck, Cong. Danielson's staff
Tom Hutchison, Cong. Mann's staff

Senate Staff

Dick Wegman, Staff Director, Governmental Affairs Committee
David Schaeffer, Senator Ribicoff's staff
Claudia Ingram, Governmental Affairs Committee
Tom Susman, Senator Kennedy's staff
Brian Conboy, Senator Javits' staff
Ira Shapiro, Senator Ribicoff's staff

Administration

Bob Lipshutz and Mike Cardoza, White House

Wayne Granquist, OMB
Stanley Morris, Deputy Associate Director, OMB
Diane Steed, OMB
Susan Geiger, OMB

Patricia Wald, Assistant Secretary, Department of Justice
Edwin S. Kneedlor, Legal Counsel's office

Other

David Cohen, President, Common Cause
Fred Wertheimer, Sen. VP, Common Cause
Ann McBride, Associate Director, Legislative Affairs, Common Cause

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C

October 26, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

Subject: Consumer Prices in September

At 9:00 a.m. tomorrow (Friday, October 27), the Bureau of Labor Statistics will release the figures on the September CPI. We had a bad month. The total for all consumer items went up 0.8 percent (an annual rate of 9.6 percent) compared with 0.6 percent in August.

Food prices, which had moderated in July and August, rose 0.5 percent in September. Prices of meat, poultry, fish, and eggs declined, but fruits and vegetables went up sharply (3.7 percent). Next month, meat prices are likely to rise again, so that the period of moderation in food prices appears to be over.

Outside of the food area, prices rose at a 10.4 percent annual rate in September, which is faster than in recent months. Housing was a big contributor (up 0.9 percent), with the mortgage financing, taxes, and insurance component of housing up 1.4 percent. A steep rise in college tuitions also boosted the total.

It is unfortunate that such bad news had to occur immediately after the announcement of our new anti-inflation program. But it does refer to developments that occurred more than a month ago, and we will remind the press of that.

THE WHITE HOUSE

WASHINGTON

C

FOR THE PRESIDENT

FROM GRETCHEN POSTON Gp

DATE: 27 October 1978

SUBJECT: LUNCHEON WITH THE KING OF SAUDI ARABIA
His Majesty King Khalid bin Abdul Aziz Al-Saud
27 October 1978 Noon 18 guests

11:50 A.M. The American official party arrives Southwest Gate to Diplomatic Entrance, and enters Diplomatic Reception Room, where they form a single line along the west wall.

Noon The motorcade carrying His Majesty and Saudi offial party arrives Southwest Gate to Diplomatic Entrance.

The PRESIDENT arrives Diplomatic Entrance, and greets His Majesty as motorcade arrives.

(Press photo opportunity.)

The PRESIDENT escorts His Majesty into Diplomatic Reception Room, and His Majesty is introduced to the American official party.

The PRESIDENT and His Majesty proceed immediately into Map Room accompanied by Prince Sultan, Secretary Vance, and Isa Sabbagh. They are seated and served juice, and will have a 10-minute meeting.

The Saudi official party follows the PRESIDENT and His Majesty into the Diplomatic Reception Room, and remains to visit with the American official party.

(Juice is served when the PRESIDENT, His Majesty, and party move into Map Room.)

The official parties are escorted from the Diplomatic Reception Room - via the stairs by the elevator - to the Family Dining Room, and stand by luncheon seats.

The PRESIDENT and His Majesty are escorted from the Map Room - via elevator - the Family Dining Room, and seated. All other guests are seated.

12:15 P.M. Luncheon is served.

(No remarks -- no toasts -- no press. WH and Saudi photographers will provide only coverage.)

1:15 P.M. Luncheon is concluded.

The PRESIDENT and His Majesty depart Family Dining Room - via elevator - to ground floor. The PRESIDENT escorts His Majesty to car - His Majesty departs, and the PRESIDENT departs Diplomatic Entrance.

The official parties depart Family Dining Room following the PRESIDENT and His Majesty, and proceed to the Diplomatic Entrance via the staircase, for departure.

NOTES:

The menu and guest list for luncheon are attached.

His Majesty walks very...very...slowly, and he uses a cane which he has a tendency to throw wide as he walks. Please note that if you are standing or walking too closely to His Majesty there is the possibility that the cane will be knocked out of his hand.

The Saudi Ambassador was here yesterday, and in our walk-through for the luncheon, we actually counted the steps into the Residence, up to the Family Dining Room, and back down to the Diplomatic Entrance.

His Majesty's voice is very weak, and it has been requested that Isa Sabbagh be seated on His Majesty's right at lunch, rather than between you and His Majesty.

His Majesty holds one hand close to his body. Should he extend it to shake hands, please shake it VERY GENTLY. Should he have to use any strength, it would be very painful for him.

MR. PRESIDENT - in view of the fact that the Saudi official party will be following you and His Majesty into the Diplomatic Reception Room, you will not have a scheduled opportunity to meet them personally. Perhaps some time during lunch would be the opportune time.

LUNCHEON
KING OF SAUDI ARABIA
15 guests est.
27 October 1978
Family Dining Room

M E N U

Sauteed Trout
with Butter Sauce

Saddle of Veal

Artichoke Bottoms
with Fresh Spinach

Saffron Rice

Raspberry Mousse
with Chocolate Leaves

LUNCHEON - Friday, October 27, 1978 at 12:00 o'clock

The President

His Majesty Khalid bin Abdul Aziz Al-Saud
King of Saudi Arabia
His Royal Highness Prince Sultan bin Abdul Aziz Al-Saud
Minister of Defense and Aviation
Dr. Rashad Pharaon
Presidential Advisor
His Excellency Ali Abdallah Alireza
Ambassador of Saudi Arabia to the U.S.
His Excellency Mohammed Al-Nowaiser
Minister for Royal Diwan
His Excellency Ahmed Abdul Wahab
Chief of Royal Protocol
Dr. Fadl Al-Rahman
King Khalid's Personal Physician

The Secretary of State (Cyrus R. Vance)
The Secretary of the Treasury (W. Michael Blumenthal)
The Secretary of Defense (Harold Brown)
Dr. Zbigniew Brzezinski
Assistant to the President for National Security Affairs
Mr. Hamilton Jordan
Assistant to the President
Ambassador Alfred L. Atherton, Jr.
Ambassador at Large
Ambassador John C. West
U. S. Ambassador to Saudi Arabia
Mr. Harold H. Saunders
Assistant Secretary of State
Dr. William B. Quandt
National Security Council Staff
Mr. Isa Sabbah
Interpreter
Dr. Rezavi
Heart specialist, Cleveland Clinic

THE WHITE HOUSE

WASHINGTON

October 27, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE F.M./BR

SUBJECT: COMMENTS ON INFLATION SPEECH

For your information:

Les Francis called to say that because of the telephone briefings by our staff, Congressmen Krebs (D-Calif), Don Edwards, Lionel Van Deerlin, Norm Mineta and Jerry Patterson (all of California) were able to make very positive statements about your inflation program. Krebs held a press conference and was particularly supportive.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C

OCT 27 1978

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre Jim

SUBJECT: Jim Schlesinger's request that a Nuclear Weapons Application Contract be exempted by you from Various Contractual Limitations Concerning Indemnification Payments

You asked for an explanation of Jim Schlesinger's request.

The Department of Energy (DOE) has extended until October 31, 1978, a contract for the operation of the Government's Sandia Laboratories. The contract is for the conversion of nuclear technology into effective weapons systems. The contract, which would have expired on September 30, 1978, was originally awarded in 1949 by the Atomic Energy Commission, and has been extended for five year terms ever since. The average annual cost for the next 5 years will be about $600 million and the contractor will be reimbursed only for its costs--it will not receive a profit.

The contractor, Western Electric, asserts that it must have a waiver of certain limitations concerning payments by the Government to indemnify the contractor for any nuclear accidents at the facility. This waiver may be made by you if you determine that it is essential in the interests of the common defense and security to do so.

In 1964, the Justice Department ruled that this waiver authority permitted the action DOE is requesting of you now. We have no reason to question the validity of that opinion. On the basis of the 1964 Justice opinion, Presidential waivers were granted in 1964, 1968 and 1973. The extent of potential indemnification is, of course, incalculable.

The waiver (1) would remove the legal limitation which makes indemnification payments over a certain amount subject to the enactment of appropriations by Congress, and (2) would remove all other limitations on these payments which contract law would otherwise require.

I agree with Jim Schlesinger that you should waive these limitations, thereby enabling DOE to extend the contract for another five years. The Sandia Laboratories are well run, are essential to our common defense and security and the no profit contract is in our best interests.

If you wish, I will be happy to discuss this with you.

cc: Stuart Eizenstat

humphrey-hawkins signing ceremony
10/27/78

FULL EMP & BAL GROWTH

ALL AMERICANS

2 yr & 5yr goals

EMPLOY

UNEMP

PRODUCTION

REAL INCOME

PRODUCTIVITY

PRICES

BAL GROWTH

FED SH GNP ↓

IMP. TRADE BAL.

→ BAL BUDGET

FED RES - 2/YR WRITTEN REPORTS

H - H - Cor - Ray

~~Fitzsimmons note~~
~~[illegible]~~

~~Lee - Askew~~ - rally

~~[illegible] - speaker~~

~~[illegible] photo - [illegible]~~

Phyllis - FBCBD

regular foreign affairs breakfast
10/27/78

THE WHITE HOUSE
WASHINGTON

M East
P3 - 15 → 4
N Yemen - 75 / Pers Con
S Africa Govt / Election
Rhodesia
Ben Carter / Godoineas
Madam Chiang
MBFR - Jock Dean
Askew
Nixon → Paris
Nicaragua - 12 Jan
Mexico
Iran
PRC

appointment with
ambassador mike
mansfield

10/27/78

THE WHITE HOUSE
WASHINGTON

Mansfield

Visit → Japan

Summit on Econ

Australia

Jap/SA aid for Egypt

Ruth → Japan

THE WHITE HOUSE
WASHINGTON

Carr 13 Steep 30 TV 41

Def $6 (77) → $10 (78) → $11 (79) B

US/J good rel: 9th among nations
9-10% Budget re US (personnel)

$500-600M upkeep of US forces
+ land

7% growth ? close

→ ASEAN

Sino/Japanese P&F treaty

Need US/PRC ↗

US invest in Asia need ↗

16.5 T tons beef US → J

J best ag customer > $4 B

Sonoda tops for cabinet

Fukuda 1, Ohira 2

Atl/Pac fleets 55:45

SU Pac flt ↗

Tokai/Korea Str

N Pac strategic area J/US/SU/PRC

Trade delegation 80% positive

m/p

THE WHITE HOUSE
WASHINGTON

FOR THE RECORDS:

STU EIZENSTAT HAS RECEIVED
A COPY OF THIS MEMO (WITH PRESIDENT'S
COMMENTS).

Stu
J

THE WHITE HOUSE

WASHINGTON

October 27, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
Lynn Daft Lynn

SUBJECT: 1979 Feed Grain Program

The Secretary of Agriculture is required to announce terms of the 1979 feed grain program by November 15. Since many farmers have already begun preparations for next year's crop, it is important to announce the program as soon as possible. Beyond helping them make more informed cropping plans, an early announcement is also likely to result in a higher rate of program participation. The most frequently voiced criticism of this year's program was the lateness of its announcement -- a conditional 10 percent set-aside was announced November 15, 1977; it was made final on February 8, 1978; and, on March 29, 1978, an additional 10 percent paid diversion program was added to make it more attractive.

This memorandum describes the feed grain situation in the world and in the U.S., identifies the major program options for the coming year, and assesses their major economic and political implications.

World Feed Grain Situation

Larger feed grain stocks combined with record production means total supplies are at an all-time high. Feed grain stocks in reporting countries, including the U.S. at the beginning of the 1978/79 marketing years, were 83 million tons, up 7 million from a year earlier. Over this period, U.S. feed grain stocks increased about 10 million tons while stocks for the rest of the world declined 3 million tons -- leading to the 7 million increase. In absolute terms, the world stock level is larger than in any of the last 12 years, excepting the summers of 1969 and 1970. As a percent of world utilization, current stocks are larger than in any year since the summer of 1972. Furthermore, in 1972 livestock inventories were large and were in a cyclical upturn. With the livestock inventory in 1978/79 at a low point in the production cycle, grain stocks appear more ample now than in 1972, relative to demands.

World feed grain production for 1978/79 is expected to be 4 percent above last year. The expected increase in world utilization of feed grains is less than the increase in production, resulting in a sizable addition to world stocks, reaching 96 million tons by the end of this marketing year. Most of the projected increase in world stocks will be in the United States (10 of the 14 million tons).

Excluding the United States, increases in foreign feed grain consumption have outpaced the increases in production. This "gap", which has been growing over time, has been closed by U.S. exports. In the early 1960's, the difference between consumption and production for the world excluding the United States was below 10 million tons; last year, the shortfall between production and consumption reached a record 58 million tons. It is expected to fall to about 49 million tons in the current crop year, due in part to unusually favorable weather in the USSR and most other foreign producing areas.

Foreign production of feed grain in 1979/80 will probably not increase as much as consumption, resulting in an increase in the "gap" and a reduction in foreign held stocks. This indicates continued strong export demand for our feed grains.

U.S. Feed Grain Situation

U.S. feed grain stocks increased 10 million tons over the 1977/78 season and are expected to increase another 10-11 million tons in the current year. Despite a reduction in planted acreage of nearly 7 million acres, feed grain production in the United States is estimated to be 3.7 percent or 7.5 million tons above the level of last year, an all-time high.

Participation in the feed grain set-aside (10%) and paid diversion (10%) program this year was slightly below expectations, largely due to strong crop and livestock prices this spring. However, the main difference between expected and indicated production this year is due to the record corn yield. We are now estimating a national average yield of 100.7 bushels per acre, compared to 91.0 last year.

Corn prices rose during the first half of the past growing season, but then declined during the last half. A year ago corn sold for $1.60 a bushel; it rose to $2.29 a bushel at the farm in May. By mid-September the price had declined to $1.92 a bushel nationally, and as low as $1.73 in some states. The season average for 1977 corn was $2.03 a bushel.

Since September, the price has strengthened about $.10 a bushel. We project an average of about $2.05 per bushel for the 1978 crop, the mid-point of a $1.95 to $2.15 range. This is about $.15 a bushel less than we expected when we made our final feed grain decision last March.

Outlook for Livestock

Although total livestock and poultry production will change little in 1978/79, the use of high concentrate feed rations will increase. Poultry production will likely continue at least a tenth above year earlier rates -- a level approaching the limits of physical capacity. Current hog inventories and breeding intentions point to little change in hog production through mid-1979, despite very favorable hog-corn price ratios. The down-phase of the cattle cycle continues to limit overall beef production and a decline of around 5 percent is expected, but more animals will be in feedlots and more grain and other concentrates will be fed to beef cattle. Milk and egg production is expected to remain near current year levels. These changes are expected to result in a 6 percent gain in feed grain fed to livestock during 1978/79.

The outlook for 1979/80 is for an even smaller increase in feed grain disappearance, about 2 percent. Pork and poultry meat output will increase in 1980, but there will be a further decline in beef production. And the beef cattle inventory will be so low that no more cattle will be placed in feedlots than in 1979. Meat prices will remain high relative to feed prices. Thus, neither feed supplies nor feed prices will be constraining livestock and poultry production over the next couple of years, unless weather in the United States is very bad.

Feed Grain Reserve

The farmer-owned feed grain reserve has the capacity to cushion the disruptive effects of sudden annual swings in the feed grain supply balance. Between 17 and 18 million tons of 1976 and 1977 crop feed grain will soon be in the reserve. Corn from the 1978 crop will be permitted into the reserve until 19-20 million tons of feed grain are in reserve. Even with a short 1979 crop in the U.S. or in the rest of the world, release of stocks from the feed grain reserve would likely limit the season average corn price to no more than $2.65-$2.75 a bushel. With this reserve, we can avoid a cattle liquidation such as occurred in 1975 and underlies current livestock prices.

Feed Grain Exports

The U.S. is by far the world's largest producer and exporter of feed grains, accounting for nearly 30 percent of world production in 1977/78 and over 60 percent of all world trade in feed grains. Feed grain exports in 1978/79 are expected to about match last season's $5.8 billion with slightly higher prices about offsetting the 1.5 million tons projected slippage in volume.

1979 Program Options

Program options designed to remove varying quantities of land from production, ranging from the equivalent of 0 to 30 percent of planted acreage, were initially considered. It was decided to drop from further consideration the options at both extremes and concentrate on those involving 10 to 20 percent diversion. Your advisors agree that neither a zero set-aside nor a 30 percent set-aside is advisable, politically or economically. Three options in the 10 to 20 percent set-aside range are offered for your consideration:

(1) 10 percent set-aside + 10 percent paid diversion --with $2.20 target price and 10¢ payment

(2) 10 percent set-aside + 10 percent paid diversion --with $2.25 target price and 10¢ payment

(3) 10 percent set-aside --with $2.20 target price

Estimates of the economic effects of these options, together with comparisons for 1977/78 and 1978/79 and the expected results of no set-aside, are shown in Table 1. These estimates, it should be noted, are highly dependent on assumptions regarding the level of grower participation. This is a judgment call; a 10 percentage point error, as occurred this year, is the equivalent of about 70 million bushels of corn and 5¢ per bushel in price. An assessment of the economic and political implications of these options follows:

Economic Effects: The 10/10, $2.25 target program (option 2) would reduce production most. As a result, this option would result in the greatest increase in season average price ($2.25 versus $2.05 this year), the highest value of feed grain exports, the largest reduction in ending stocks (down 9.6 mmt's) and the highest farm income. This option also entails Federal payments equal to or slightly above the other options. Option 3, the

10 percent set-aside, would restrain production least and would, therefore, add least to farm prices and reduce income the most. Although the analysis indicates little difference among the options in terms of inflationary effects, option 3 would be the least inflationary, resulting in about $125 million lower feed grain expenditures than option 2. However, farm income would also be lower, by more than $1.1 billion.

Political Acceptability: On the basis of recent market prices and the prospect of a bumper harvest this fall, many farmers feel that a diversion of at least 20 percent is required to maintain prices and income at acceptable levels. Anything less than a 20 percent diversion, regardless of whether it is accomplished by straight set-aside or a continuation of set-aside and payment diversion, will be generally viewed by the farm community as too little. On balance, farmers seem to favor paid diversion over a set-aside since the former provides a guaranteed payment while a set-aside only qualifies the farmer for a possible future benefit of unknown amount.

Conclusions

Although U.S. ending stocks of feed grains are expected to stabilize or decline slightly in 1979/80, even without an acreage diversion program, there appears to be a clear need to restrain production beyond what would likely occur in the absence of a program. If production is not restrained, the large stocks we are now accumulating will keep farm prices from rising as fast as production costs, causing net returns to fall. However, the situation is not sufficiently critical to warrant an extreme cut-back in production. Export demand is expected to remain strong. Feed use will increase somewhat as the livestock cycle switches to an expansion phase. Yields next year will probably not reach the record high of this year and could be significantly lower with poor weather or high incidence of disease. Thus, your advisors have concentrated on a range of options that entail a small to moderate acreage diversion.

On the basis of economic criteria alone, there is not a great deal of difference among the options. The differences are all within the range of estimating errors. From the standpoint of administrative simplicity, a pure set-aside program is preferable, although farmers have had an opportunity to become familiar with the combination program this past year and seem to favor it over a set-aside only program. A set-aside program is self-adjusting in that program participation will depend on the market price situation next spring. If prices are high, there will be little participation in the program and production will respond to meet demand. Conversely, if prices are low, program participation will be high, thereby reducing supply. The major drawback to a pure set-aside program is that to attract participation, a higher target price is required and this, in turn, involves a large budget exposure under "good weather" conditions. For example, with a 20 percent set-aside and a $2.30 target price (an option considered and rejected), we could face budget costs of $1.5 billion or more. Also, should conditions in the following crop year (1980/81) be such that no set-aside is needed, a target price of $2.15 to $2.20 would probably be required. A 10¢-15¢ reduction in the target price would be unpopular with farmers, although higher market prices should help offset this.

There is a widespread expectation within the farm community that a large diversion is needed. Anything less than a 20 percent diversion (regardless of the mix between set-aside and paid diversion) will be highly unpopular. The Farm Bureau has called for a 30 percent set-aside. The Farmers Union has called for a 30 percent set-aside with loan rates at 90 percent of parity and target prices at 100 percent of parity. Members of the Congress from farm states have cautioned us against making the announcement before the election, if a diversion of less than 20 percent is selected. Yet, failure to make the announcement before the election will itself be construed as evidence that a small set-aside is about to be announced. The farm community has been expecting an announcement for the past 2 weeks. In short, announcing a level of diversion below the current program will draw sharp criticism from the farm constituency ... and, in our judgment, for very little budgetary or anti-inflationary benefit. We are not operating on a blank slate. To cut back from last year's 10/10 program in the face of a bumper crop will be impossible to explain to farmers. Indeed, even a 10/10 program with a $2.20 price (option 1) will be viewed as a sacrifice (albeit a necessary one) in this inflationary time. As noted below, OMB takes issue with this assessment.

If a combination of set-aside and paid diversion is to be used, it is advisable to structure the level of target price and payment in such a way as to maximize program flexibility later in the crop year. This would be done by attaching more of the benefit to the deficiency payment (through a higher target price) and less to the land diversion payment. Thus, should market prices unexpectedly strengthen prior to the early spring sign-up, the 10 percent diversion program could be dropped. And, as long as prices remain below the target price level, some incentive for participation would remain. Although we do not contemplate having to take such an action, it could be used if needed.

AGENCY RECOMMENDATIONS

The Office of Management and Budget, the Council of Economic Advisors, the State Department and the National Security Council recommend a 10 percent set-aside with a $2.20 target price (option 3). Also, OMB suggests that the announcement be delayed until after November 7, regardless of which option is selected. Their principal arguments for recommending this option are these:

- It is the least inflationary option.
- Although the inflationary impact of the other options is not large (the USDA option could add 0.08 percent to the GNP deflator), the cummulative effect of several such decisions can be significant.
- A strong anti-inflationary posture is important internationally as well as domestically, given commitments made at the Bonn Summit.
- The choice of any other option will be interpreted by the general population as "business as usual" and will seriously undercut the success of the anti-inflation program.

The Department of the Treasury, Esther Peterson, and the Domestic Policy Staff recommend option (1), a combination 10 percent set-aside/10 percent paid diversion with a $2.20 target and a 10¢ payment for the following reasons:

- In comparison with the USDA preferred option and with proposals advanced by farm interests, this option is anti-inflationary.
- This option is politically acceptable to the farm community (in contrast to option 3) yet would not curtail production and raise price as much as option 2. Farm income will be lower than this year, although not as sharply lower as under option 3.
- The effect of a net redemption of commodity loans due to a slightly higher market price would result in lower Federal outlays for this option than for option 3 and only slightly above option 2.

- The slightly higher market prices will result in a higher value of exports than under option 3. (It is important to remember that about 28 percent of our feed grain production earns foreign currencies through sales abroad.)

- In comparison with option 2, this option has the advantage of being only slightly less politically popular yet requiring a lower target price and yielding a lower market price.

- We also believe the slight inflationary effect of options 1 and 2 are exaggerated by an assumption that soybean acreage would not vary among the options. Given the high substitutability between the production of corn and soybeans, we would not expect to see as much acreage remain in corn under option 3 as was assumed in the analysis. Thus, the anti-inflationary advantage of option 3 could be even less than indicated.

The <u>Department of Agriculture</u> and the <u>Office of Special Trade Representative</u> recommend option (2) for the following reasons:

- The USDA argues that option 2 is the only option that will be viewed by farmers as equal in attractiveness to the current year program. They feel that the slightly higher incentive involved in this program is required to offset the reduction from 20 cents to 10 cents in diversion payment.

- Although down from the current year level, farm income would be highest under this option.

- The value of feed grain exports would be highest, as higher prices more than offset reduced volume.

- Total Federal outlays (including the effect of net loan redemptions) are lowest for this option.

This is a particularly tough decision, given that it comes so soon after your anti-inflation speech and so close to the election. Although OMB and CEA disagree, we do not believe this is a close call politically. A 10 percent set-aside would be a political disaster in the Midwest. On the other hand, there is little to be gained among consumers, many of whom appear to feel that farmers are poorly treated by our farm policies anyway.

A key element of our anti-inflation program is equity of treatment across interests. I am very concerned that the feed grain option recommended in this memorandum by OMB and CEA would deviate significantly from this important principle.

The OMB/CEA option would result in a 20 percent decline in returns to feed grain producers from this year's level. Adjusted for inflation, returns would decline by about 27 percent. Even in comparison with the relatively low income year of 1977, in real terms the OMB/CEA option would yield a return about 13 percent lower.

As indicated above, the season average corn price this crop year is expected to be about $2.05. This is significantly lower than the $2.20 that we had sought when we made our decisions for the 1978 program, mostly due to the abnormally high yield this Fall. This represents an increase of only 1 percent over the 1977 season average price of $2.03. If we were to apply the 5.75 percent price goal to this year's price of $2.05, we would aim for a price of about $2.17. This is very close to the $2.19 expected under the option I recommend.

Given the very considerable political costs that would result from adoption of the OMB/CEA option of a straight 10 percent set-aside (option 3), the serious inequalities this option implies for the farm community, the marginal anti-inflation benefits, and the pressure I strongly believe it would generate for more expensive farm legislation next year, I strongly recommend against it.

Instead, as a compromise position, I recommend option 1. It does not reduce production as much as the USDA option and is, therefore, less inflationary. Yet, it is politically acceptable to the constituency that counts most on this issue. Both Treasury and Esther Peterson, both of whom have been among the strongest advocates in the Administration on the anti-inflation food front (Esther particularly in the food area) agrees with option 1.

One last advantage of option 1 is its continuity with last year's similar 10/10 program. Farmers were only just beginning to learn how it worked. By maintainint it, we can build on last year's program and develop a sense of certainty.

The Vice President has asked that if you decide on option 1, to await an announcement on his reading of whether even that decision would be marginally harmful to Democrats before the election.

DECISION

___✓___ Option 1, 10% set-aside/10% paid diversion with $2.20 target, 10¢ payment (Treasury, Esther Peterson, DPS) (Congressional Liaison) J

______ Option 2, 10% set-aside/10% paid diversion $2.25 target, 10¢ payment (USDA, STR)

______ Option 3, 10% set-aside, $2.20 target (OMB, CEA, State, NSC)

Based on new U.S. '78 crop estimates, this will result in a price increase of only 4½% in 1979 following a 1% increase in 1978. Also, world reserves may also be up. JC

ECONOMIC INDICATORS FOR ALTERNATIVE PROGRAM OPTIONS

ITEM	1977	1978	OPTIONS FOR 1979			
			10% S.A./10% Paid Diversion:			
			$2.20 target 10¢ diversion	$2.25 target 10¢ diversion	10% S.A. $2.20 target	0% S.A. $2.07 target
			(1)	(2)	(3)	
Total Planted Acreage, 7-crop (Mil. Ac.)	275.3	265.1	266.7	265.9	270.6	273.4
Total Diverted Acreage, 7-crop (Mil. Ac.)	---	17.3	18.5	19.4	14.5	10.2
Production (Mil. Mt.)	201.8	209.3	196.8	194.9	200.4	202.7
Consumer Food Expenditure (Bil. $)	182	206	223*	223*	223*	223*
Farm Value of Food Expenditure (Bil. $)	57	66	71*	71*	71*	71*
Prices (Dol./Bu.) - Corn						
Target Price	2.00	2.10	2.20	2.25	2.20	2.07
Loan Rate	2.00	2.00	2.00	2.00	2.00	2.00
Season Average Price	2.03	2.05	2.19	2.25	2.09	2.07
Feed Grain Exports (Mil. Dol.)	5,792	5,776	6,407	6,542	6,182	6,138
Ending Stocks						
Mil. Mt.	40.0	50.7	43.0	41.1	46.6	48.7
As % of World Use	5.8	7.2	6.0	5.7	6.5	6.7
Govt. Outlays (Mil. Dol.)						
Deficiency Payments	228	536	515	472	658	866
Diversion Payments	541	---	211	238	---	---
Disaster/Storage Payments	422	308	380	400	335	484
Total Payments	1,191	844	1,106	1,110	993	1,350
Net Loan & Inventory	1,324	243	(115)	(165)	50	500
Total	2,515	1,057	991	945	1,043	1,850
Returns to Producers (Mil. Dol.)						
Gross Returns (Incl. Payments)	16,472	18,003	17,775	18,085	17,202	17,570
Less Variable & Overhead Costs	10,879	10,962	11,424	11,350	11,599	11,730
Return to Machinery & Equipment, Management, and Land	5,593	7,041	6,351	6,735	5,603	5,840

* Small differences would result from lower grain prices. Costs to domestic food and industrial users would be $140 million more under $2.25/10¢ combination than with zero set-aside.

SOURCE: USDA

OMB ATTACHMENT

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

OCT 26 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. Jim

SUBJECT: 1979 (FY 80) Feed Grain Program

A. The Program Decision

This issue, in my judgment, poses the first real test of the Administration's anti-inflationary resolve.

The decision memo which has been submitted to you, reduced to its fundamentals, offers a choice between two alternatives: (a) a combined 10% set-aside - 10% paid diversion program, with a target price of $2.20 or $2.25 and a 10¢ diversion price; or (b) a straight 10% set-aside with a $2.20 target price.

With respect to the three important criteria--budget costs, farm income effects and inflationary impacts--these two options are starkly different.

1. Budget Costs. Although there is projected to be no significant difference between these two options in a year of average weather, the combined 10-10 program risks much higher budget outlays (as much as +$500 million) in a year of better than average weather.

2. Farm Income. The combined 10-10 program would maintain income levels at or near the 1978 level; under the straight 10% set-aside, income would recede to near the 1977 level (still well above production costs).

3. Inflationary Impacts. The combined 10-10 program would raise season average prices from $2.03 in 1977 and $2.05 in 1978 to $2.19 or $2.25 in 1979, depending on which target price you picked. The straight 10% set-aside option would raise the 1979 price only to $2.09. As a result of this difference between a 6-10% increase in feed grain prices on the one hand and a 2% increase on the other hand, the combined program either would have no impact on or give a marginally upward push to the current rate of inflation, while the straight 10% set-aside option would have a downward impact of nearly 0.1% on the GNP deflator.

I urge you to choose the straight 10% set-aside option. As we all know, there is no one magic (albeit politically painful) step we can take to decelerate the rate of inflation by 0.5-1.0%. Rather, we will need to take a number of difficult steps--all of them politically painful, each of them gaining merely 0.1% or even less--to reach the goal you set for the Nation just two nights ago. This is one of the first of those steps.

B. The Announcement Date

I agree with Stu that the political considerations involved in this decision are critical. But much more than just farm politics is involved, and I strongly disagree with Stu's recommendation that you make your announcement before the election.

Regardless of which program option you select, I urge you to make the announcement after November 7. The statutory deadline is November 15. (When the 1977 Farm Bill was being considered, the Administration lobbied hard for a post-election date--for obvious reasons. I should think that now we would take advantage of it.)

If you choose the straight 10% set-aside option, it clearly will be politically unpopular in the farm belt. That is reason enough to postpone a decision.

If you choose the combined 10-10 program, most farmers and farm groups still will not be satisfied. They want 30% total diversion. Thus, Republican candidates will be bound to attack the program as unresponsive to farmers' needs, and--with only a few days to go before the election--many Democrats in the farm states will have to join the hue and cry. You will come under real pressure to make the program more attractive (and expensive); and unless you do that, no Democrat will profit from a pre-election announcement.

I do not believe, incidentally, that failure to make an announcement before the election can be interpreted persuasively in a campaign as evidence that you are going to announce a small set-aside later. I doubt that speculation over what the Administration might or might not do is likely to be a viable campaign issue for any Republican.

USDA ATTACHMENT

The option I recommend is the only one that will be considered to be even equal to the 1978 program. This year a producer was guaranteed a 20 cent payment on the acreage he planted for harvest. The program I recommend reduces this guarantee to 10 cents and offers him a possibility of a 25 cent target price payment. But if participation is good he will not get a 25 cent target price payment.

Under the circumstances a program judged by producers to be less attractive than last years program would be politically difficult and increases the possibility of unwise congressional actions early next year.

The program I recommend is the most cost-effective. It is the most balanced program of all. It gives the producer as much flexibility as the set-aside only option. It gives us more flexibility if adjustments become necessary next February.

Budget outlays will be lower under the option I recommend than any other. The value of our feed grain exports will be higher than any other option, which will help the dollar. The farm value of food expenditures will be higher under the option I recommend, but the increase will be small. And farm income will be the highest. But please note that the return to machinery, equipment, management and land (including rent that must be paid by the renter) will still be less than in 1978, by nearly $300 million.

To summarize, budget outlays are estimated to be $50 to $100 million lower, export earnings $150 to $360 million higher, farm income $385 million to $1.1 billion higher, and costs to domestic food and industrial users $50 to $140 million higher under the option I recommend compared with the other options.

Bob Bergland
Secretary

The option I recommend is the only one that will be considered to be even equal to the 1978 program. This year a producer was guaranteed a 20 cent payment on the acreage he planted for harvest. The program I recommend reduces this guarantee to 10 cents and offers him a possibility of a 25 cent target price payment. But if participation is good he will not get a 25 cent target price payment.

Under the circumstances a program judged by producers to be less attractive than last years program would be politically difficult and increases the possibility of unwise congressional actions early next year.

The program I recommend is the most cost-effective. It is the most balanced program of all. It gives the producer as much flexibility as the set-aside only option. It gives us more flexibility if adjustments become necessary next February.

Budget outlays will be <u>lower</u> under the option I recommend than any other. The value of our feed grain exports will be <u>higher</u> than any other option, which will help the dollar. The farm value of food expenditures will be higher under the option I recommend, but the increase will be small. And farm income will be the highest. But please note that the return to machinery, equipment, management and land (including rent that must be paid by the renter) will still be less than in 1978, by nearly $300 million.

To summarize, budget outlays are estimated to be $50 to $100 million lower, export earnings $150 to $360 million higher, farm income $385 million to $1.1 billion higher, and costs to domestic food and industrial users $50 to $140 million higher under the option I recommend compared with the other options.

Bob Bergland
Secretary

VP'S ATTACHMENT

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

October 26, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 1979 Feed Grain Program

I recommend the 10 percent set-aside plus 10 percent diversion program with a $2.25 target price and a 10 cent diversion payment for political, economic and social justice reasons.

Economic

Feed grain stocks and supplies have risen at a very rapid rate since the fall of 1976. The corn situation is illustrative:

	Fall 1976	Fall 1977	Fall 1978	Fall 1979**
Beginning stocks	399	884	1,064	1,469
Production	6,266	6,371	6,824	?
Total supply*	6,668	7,257	7,889	

* Includes a small quantity of imported corn.
** Most likely estimate based upon October reports.

Feed grain stocks have increased from 17 to 40 million tons over the past two years, and are expected to exceed 50 million tons before the 1979 crops are harvested. Feed grain supplies at the beginning of the 1978-79 season are at an all-time high. Storage capacity is taxed to the limit in some areas; so is the transportation system.

In this circumstance corn producers understandably have the perception that we have excess supplies. So do the Members of Congress from feed grain districts.

The estimates for 1979-80, a marketing year for corn that begins a year from now, and ends two years from now, show that we are likely to use more domestically, and export more. But they also show that we have large enough stocks and reserves to prevent disaster even if weather patterns are adverse.

Some of your advisors argue that a program designed to result in a $2.25 corn price for 1979 is inflationary. A $2.25 price would be about 10 percent more than we expect for 1978 crop corn, but only 2.3 percent more than we expected for the 1978 crop. Besides, to look only at the market price is unfair. Production costs, excluding a return to land, have been escalating at a rate equal to or exceeding the rate of price inflation in the general economy. Production costs are estimated by Iowa at $2.30 a bushel. Our own studies show them to be $2.36 including a return to land. Owners need not get a return to land, but renters must pay for it. About one-half the corn land is tenant farmed.

THE VICE PRESIDENT

WASHINGTON

October 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT (TRANSMITTED FROM AIR FORCE II)

SUBJECT: FEED GRAIN SET-ASIDE

I have carefully reviewed this decision with Stu and others including Congressional leaders from farm states.

On the merits, I think there is a strong case for a 20% acreage reduction program.

As you know, a combination 10% set-aside/10% paid diversion is basically a continuation of the status quo. This year under the same approach, the season average price for corn increased by less than 1%, far beneath the rate of price increases in other sectors of our economy.

Projections show that next year there would be little, if any, difference between the impacts of a 10% set-aside only or the 10 set-aside/10% paid diversion on the overall inflation rate.

However, there would be a substantial difference between the effects of the two alternatives on net farm income. The 10% set-aside only would result in a real reduction (adjusted for inflation) of roughly 27% in the net earnings of feed grain producers compared with this year. A 20% set-aside/diversion program would still result in a major reduction in the net incomes of feed grain farmers (up to 17%), but given the need to hold a tight lid on inflation, I believe it could be justified.

Under Stu's option ($2.20 target price), the market price for corn would increase by 6-7% -- well within the bounds established for wages and prices in our economy as a whole. Under the USDA alternative, the increase would be slightly more (10%), but actual market prices this year are significantly below the objectives set when the 1978 set-aside was established.

Politically, I believe that a 10% set-aside only would be far more likely to threaten than enhance the chances for success of your anti-inflation program. When faced with the certainty of a massive decline in the real earnings of farmers -- a standard no one would propose for business or workers in other sectors of our economy -- Midwest Democratic candidates who would like to be supportive, would probably be forced to denounce the fairness of the inflation program in order to survive in November. I think the Republicans would seize on a 10% set-aside decision as a way to challenge the equity of the entire system of price-wage standards.

If all other factors were equal, I would be inclined to recommend the U.S.D.A. option. It is marginally less expensive from a budget point of view, provides the highest value for export earnings and results in the lowest decline in net returns to farmers. However, Stu's alternative would provide a way to demonstrate your concern about inflation by restraining market price increases. It would be less attractive in the farm belt, but I think we can make the case that it is fair and necessary in view of the inflation threat.

Finally, Senator Clark has argued, and I fully agree, that the announcement of an acreage reduction of less than 20%, would be so damaging to Democrats in the November elections that any decision to pursue that course should be deferred until after the election. Postponing the decision would in itself involve substantial political costs. If that approach were chosen, I think there is serious risk of re-igniting the now-dormant farm strike movement. In all probability we would see very low compliance rates, and be forced to deal with very heavy pressure for more expensive farm legislation next year.

For these reasons, I would urge your approval of the U.S.D.A. or, if necessary, the Eizenstat option.

CEA ATTACHMENT

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

October 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS by WN

SUBJECT: Feed Grain Decision

Your economic advisers feel that it would be a serious mistake to restrain production on 20 percent of feed grain acreage. They would prefer a 10 percent set-aside with a $2.20 target price.

1. Inflation. The USDA option is inflationary, adding 10 percent to feed grain prices even with normal weather. By itself, this would add about 0.08 percent to the GNP deflator. While such an amount may appear small, a cumulation of such government decisions over a year can easily add a percent to the inflation rate -- and torpedo our anti-inflation program.

2. Anti-inflation program. The feed grain decision comes on the heels of the anti-inflation program, and people will be watching our actions very carefully. You stated in the speech that this is a time of austerity.

You also stated that government must exercise self-restraint in its own inflationary actions. A 10 percent set-aside would show we are being less restrictive than last year and would be a clear signal of our new determination on the inflation front. I fear that any other option will be read in the country--quite correctly--as "business as usual" and will make our anti-inflation program sound like hollow rhetoric.

3. Risks. Due to a string of exceptional world harvests, there has been a steady buildup in global grain stocks from the disastrously low levels of 1974-76. Yet, although stocks are high in absolute levels, stocks relative to use are about the average of the 1967-78 levels. Indeed, the stock-consumption ratio today is lower than they were the year before the great grain inflation of 1973.

In restraining production today we are running a significant risk (about 1 in 8) of a large run-up in grain prices. To minimize these risks we should: (i) set the lowest possible acreage restraint and (ii) because set-asides tend to be partially self-liquidating when prices rise, use set-asides rather than diversion.

4. Political risks. There are real political risks in a 10 percent set-aside. We recognize that announcing a 10 percent set-aside will probably cause an uproar in many farm groups--mainly because they have come to expect a more restrictive option. There is also a risk of repetition of the agitation we saw last spring, and Congress may try to force higher prices down our throats next year.

In our view, however, the overriding political risk you face is that your anti-inflation program will be ineffective. Without a series of tough decisions--like this one or the copper decision--you will never persuade the Teamsters, the steel companies, the regulators, or the public that you mean business.

In short, the time has come to begin to lower expectations.

We therefore recommend that you reduce production restraints to 10 percent by announcing a 10 percent set-aside with a $2.20 target price.

THE WHITE HOUSE

WASHINGTON

November 9, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ALFRED KAHN Fred Kahn

SUBJECT: THE 1979 FEED GRAIN PROGRAM

Your pending decision on the 1979 feed grain program will have significant implications for inflation. I agree with OMB and CEA favoring the least restrictive of the alternatives--a 10 percent set-aside with a $2.20 target price.

You have been presented with a choice among three proposals: a straight 10 percent set-aside estimated to result in a season average corn price of $2.09/bushel, and two 20 percent acreage reduction proposals, one resulting in an average price of $2.19 and the other in $2.25.

There are two major reasons for favoring the least restrictive of the three.

1. The costs to domestic users of feed grains would be increased by $900 million in moving from a 10 percent set-aside to the most restrictive of the 20 percent options. The intermediate option of a $2.19 price would raise costs to domestic users by about $560 million. These higher costs may not be reflected immediately at the consumer level, but they will ultimately be passed through into retail prices.

2. The proposed reduction in stocks raises the risks of higher prices in the face of a domestic or foreign crop failure. Stocks have been rebuilt in recent years and are now above the USDA objective. But the objective seems low, since reserves relative to total consumption are below the levels that we maintained in the years before the 1973 grain crisis. A policy of restricting production and reducing stocks seems to me highly risky at the present time.

A. KAHN'S COMMENT

THE WHITE HOUSE

WASHINGTON

October 27, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ALFRED KAHN Fred

SUBJECT: 1979 (FY 80) Feed Grain Program

The only purpose of this memorandum is to urge you not to decide this issue before the election.

I am not presuming to give you political advice. The bases for my recommendation are:

1. While there are differences of opinion about the extent, all parties agree that the option 3, recommended by the Office of Management and Budget, the Council of Economic Advisers, the State Department, and the National Security Council is the least inflationary of the ones being proposed to you, and that the others will legitimately be perceived as much more like business-as-usual on the anti-inflation front.

2. It seems to me this is no time, immediately after your declaration of a strong anti-inflation policy, even to <u>seem</u> to be pursuing business as usual, when presented with your first opportunity really to disallow a special interest, inflationary policy.

3. There are obviously differences of opinion about whether there is an offsetting positive political reason for acting before the election. OMB contends farmers will be just as likely to be angered by your acceptance of option 1 as by the delay; I cannot evaluate this contention. My overriding consideration is my second point.

I have not, in my first day, had time to analyze the appraisals of the inflationary implications of the three conflicting options. Delaying your decision will give me an opportunity to do so just as quickly as possible.

The high level of production achieved this year suggests that some set-aside is probably desirable. In time of acute inflationary danger, however, I think we should resolve all doubts on the side of the smallest possible artificial restrictions on production. An error on the side of smaller cutbacks than later proves necessary can always be corrected in the future; the moderate reduction I suggest now could be adjusted by some further restraint next year, if that should prove necessary. An error on the other, more inflationary side cannot be so easily corrected.

Finally, a 20 percent set-aside would be perceived as an example of business as usual, and not consistent with a strong attack against inflation.

ID 785757 THE WHITE HOUSE

WASHINGTON

DATE: 09 NOV 78

FOR ACTION:

INFO ONLY: VICE PRESIDENT

HAMILTON JORDAN

CHARLIE SCHULTZE

STU EIZENSTAT

JIM MCINTYRE

SUBJECT: ALFRED KAHN MEMO RE: 1979 FEED GRAIN PROGRAM

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

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ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

	FOR STAFFING
✓	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
✓	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
	✓	EIZENSTAT
	✓	JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
	✓	MCINTYRE
	✓	SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

E. PETERSON'S
ATTACHMENT

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

October 26, 1978

MEMORANDUM FOR: STU EIZENSTAT

FROM: ESTHER PETERSON Rod Leonard for

SUBJECT: 1979/80 Feed Grain Program

We support a 1979/80 feed grain program which includes a 10 percent set aside and \$2.20 target price coupled with a 10 percent diversion with 10¢ payment.

While a 10 percent set aside only is an attractive alternative, especially when comparing the estimates of economic indicators provided by USDA, we have difficulty accepting certain of the underlying assumptions in that analysis.

USDA has assumed that soybean acreage will not vary among options for feed grains which result in season average corn prices ranging from \$2.09/bu to \$2.25/bu. Given the high substitutability between the production of corn and soybeans, this assumption seems unrealistic. If we get a one million acre swing from corn to soybeans in the low priced option, the market price would increase on the order of 6¢/bu. The price comparison then would be between \$2.15/bu for the 10 percent set aside and \$2.19/bu for the 10/10-\$2.20 target.

Budget outlays, using USDA numbers, would be about \$50 million less under the 10/10-\$2.20 option than the 10 percent set aside. Using our assumption of soybean acreage, the 10 percent set aside would result in a budget outlay of about \$50 million less than the 10/10-\$2.20 option. Thus, regardless of assumption, the budget impact of the two options are virtually identical.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

November 10, 1978

MEMORANDUM FOR: Stu Eizenstat

FROM: Howard Hjort

SUBJECT: 1979 Feed Grain Program

The latest estimates of U.S. 1978 crop production were released yesterday. This assessment, based upon yield and harvested acreage surveys taken about November 1, compares with the October 1 assessment as follows:

	October 1	November 1	Change
	----- million bushels -----		
Corn for grain	6,824	6,890	+ 66
Sorghum for grain	699	704	+ 5
Oats	596	596*	--
Barley	438	438*	--
	----- million tons -----		
Feed Grains	209.3	211.1	+ 1.8
Soybeans	48.8	49.3	+ 0.5
Major Feeds	258.1	260.4	+ 2.3

*October estimates carried forward.

USDA's Interagency Commodity Estimates Committee for Feed Grains met yesterday after the crop report was released. It concluded that the increase in production would be added to ending stocks, and, therefore, the estimates for release to the public on Monday will show feed grain stocks rising from 40 million tons before the 1978 crops were harvested, to 52.5 million tons by the time the 1979 crops are ready for harvest. This represents an increase of 1.8 million tons from the estimate used in connection with the analysis of the 1979 feed grain program options.

Corn stocks are now expected to rise from 1,064 million bushels on October 1, 1978 to 1,535 million bushels on October 1, 1979.

Over the past 10 years the November 1 forecast has been below the final estimate 9 times and above 1 time. Further, once a within-season trend has been established the final estimate usually is consistent with the trend. This year, every corn production estimate has been above the one for the previous month, so the chances, I believe, are better than even that the final estimate will be above the November 1 estimate. The final estimate will not be available for two months.

World Grains

USDA will also release it's latest assessment of the world grain situation and outlook for 1978/79 on Monday, November 13. The last official release was on September 27. They compare as follows:

World Total Grain Summary
(Including Milled Rice)

		1978-79		
	1977/78	September 27	November 13	Change
	- - - - - - - - - -	million tons	- - - - - - - - -	
Beginning Stocks	192	185	184	- 1
Production	1,322	1,385	1,409	+ 24
Total Supply	1,512	1,570	1,593	+ 23
Utilization	1,330	1,368	1,367	- 1
Ending Stocks	184	202	226	+ 24

The latest estimate of the 1978 world grain crop is 24 million tons higher than the September estimate, 87 million tons above a year ago, and 56 million above the previous record set in 1976.

World utilization is projected to increase over 1977/78 by about 37 million tons, and world stocks are now expected to rise to 226 million tons, up 24 million from the September estimate, and 42 million more than at the beginning of the 1978/79 season. The world has been favored with exceptionally favorable weather patterns this year.

World Coarse Grains

World coarse grain production is now estimated at 732.4 million tons. The last official estimate, released on September 27, was 720 million tons. In September it appeared 1978 production would be 26 million tons above 1977; now it appears the increase from 1977 to 1978 will be about 39 million tons. The significance of these revisions can be placed in context by recalling that the difference in our production between a zero and a 20-percent set-aside/diversion program for the 1979 corn crop is only 8 million tons.

The world feed grain utilization estimate has been increased slightly since September, but most of the additional production will add to stocks. World coarse grain stocks were around 82 million tons at the beginning of the 1978/79 season. Last September we expected they would rise to about 96 million tons by next fall; now the estimate is that there will be about 106 million tons in stock by then, an increase of 24 million tons from this fall to next.

Politically, we think it is unrealistic to expect that a feed grain program which idles less than 20 percent of the acreage will be accepted. While our option is slightly more costly than a 10 percent set aside, it is also slightly less costly than the USDA backed option with a $2.25 target price. That option is the most expensive under consideration. If adopted, we would find it considerably more difficult to live up to our responsibility under the 1964 Meat Import Act should it be necessary to expand meat quotas this year. Cattlemen would be quick to charge that we have unfairly raised their costs by selecting the most costly feed grain option and at the same time depressed their prices by allowing more beef to be imported.

Coarse grain production will be higher than previously expected in Canada, Australia, Thailand, West Europe, the USSR, the U.S., and in several smaller producing countries. The only significant decrease from September indications is reported for Eastern Europe. However, the estimate of corn imports by the PRC has been increased.

Implications

The sharp upward revision in the official estimate of 1978 world grain production and the associated increase in the estimate of world grain stocks at the end of the 1978/79 season has and will continue to place downward pressure on grain prices. Feed grain prices normally are at their low for the season during September-November, and then rise seasonally, basically to reflect the cost of storing the grain. Earlier, we expected feed grain prices to rise at a rate slightly in excess of a normal seasonal pattern, due to the accumulation of reserves, another good (but not record) year for exports, an increase in grain fed to livestock at home, and the expectation that a set-aside program similiar to 1978 would be in effect for 1979. Now, the record supply available to the U.S. and the world will temper the price rise.

While the revisions in the U.S. and world production and stock estimates are not expected to appreciably affect our estimate of the 1978-79 season average price for corn (it already is essentially at the market support price), the major impact will be with respect to the estimates for 1979-80.

The revisions in the corn stock estimates -- a total stock of 1,535 million bushels instead of 1,469 million at the beginning of the 1979 season -- will take about 5 cents a bushel off the season average price received for farmers, irrespective of the feed grain program option. Second, the significant upward revision in "rest of world" stocks at the beginning of the 1979 season raises the distinct possibility that the estimates of U.S. feed grain exports during the 1979-80 season may be too optimistic.

This means that the season average price estimates for corn used in the options paper on the 1979 feed grain program clearly are too high. We should take at least 5 cents a bushel off the price estimates for every option, and more if the export estimate is revised downwards. That is, I would not expect a season average corn price during the 1979 season in excess of $2.20 a bushel even with a 1979 program that offers a $2.25-target price plus a 10-cent diversion payment for a 20-percent set-aside/diversion program, unless yields are lower than have been assumed. A decline of 5 cents a bushel reduces the value of feed grain exports about $150 million, and adds downward pressure on the dollar. The increase in stocks will lead to higher loan and inventory outlays, and the lower price will mean higher deficiency payments for each option.

We must anticipate price increases in items used to produce feed grains of 6 to 8 percent over the year beginning October 1, 1978. Therefore, it would take a corn price of $2.17 to $2.21 a bushel to cover the increase in costs. And unless the yield is again in excess of 101 bushels per acre (highly unlikely) farmers will have less to sell. This means they have no chance of being even as well off as this year under any option now being considered.

HOWARD W. HJORT
Director of Economics, Policy
Analysis and Budget